

THE MAGAZINE OF WALL STREET

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What Can Business Expect?

By THEODORE M. KNAPPEN



The Market's Next Move

By A. T. MILLER



Profit Possibilities in Low Priced Stocks

Selections by The Magazine of Wall Street's Staff

G. Wyckoff
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November 28, 1931

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WITH THE EDITORS



Let's Solve the Copper Problem from the American Standpoint

THE international copper conference has failed. It failed for the surprising reason that American interest for once declined to be the customary international goat. They have had about enough of the Simple Simon remedy of curtailing American production while much of the outside world is increasing its output.

The Belgians with their Katanga mines in Africa held the key to the production situation and failed to turn it. They explained that Belgian national and colonial objectives made it impossible for them to reduce production to the annual amount of 112 million pounds, which the Americans insisted was an equitable quota. The Belgians have the key to the production situation, but the United States has the key to the consumption door. If national reasons for failing to do the proper economic thing in the way of restriction of production are good enough for the Belgians national considerations ought to

be good enough for Americans to reduce consumption—of foreign copper.

The world is now approaching a copper production capacity of over five billion pounds a year. Consumption has fallen during the business depression to less than 60 per cent of the peak, and is around 2,400 million pounds. There is enough copper above ground to last for at least half a year, and longer if consumption continues to dwindle. Up to date all efforts to manipulate the price problem have failed—and they will fail until supply and demand are again in a proper ratio. Either production must be drastically cut or consumption increased. There isn't a chance of increased consumption for at least a year. There is no relief for the world situation either near or remote unless production is jammed down to such a point, say 30 per cent of capacity, that present rates of consumption will cut down the huge volume of the existing reserves.

Such being the world position, why not try to isolate the American copper problem? The United States consumes about half the copper production of the world. It has been importing copper for several years—importing it while American mines are shut down or running at partial capacity and at a loss.

In this urgent situation it is our plain duty to hold the American market for our own producers and curtail for our own benefit. Let the foreigners over-produce if they wish but also let them deal with their own under-consumption problem. A stiff tariff on copper will hold the American market for Americans. Then domestic curtailment will restore the balance of supply and demand, prices will improve, men will go to work. Let's make copper a purely American problem and solve it without the aid or consent of foreign mines, American or foreign owned.

It's time American charity began at home all along the line.

In the Next Issue

Does the Rise in Silver Forecast Bimetallism?

By CHARLES BENEDICT

This fascinating story covers the ramifications of silver and its effect on the United States in relation to the problems of both trade and industry.

World Factors Blocking International Recovery

By THEODORE M. KNAPPEN

This article will clarify the complexities of the current foreign problems. It will not only be of great interest but of great practical value to every far-sighted business man.

What's Ahead for the Automobile Industry?

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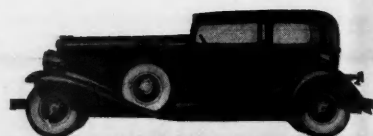
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The MAGAZINE of WALL STREET



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Investment and Business Trend

Germany's Predicament—Borrowing and More Borrowing—Another Hypodermic—Paying Unearned Dividends—The Test of Legislation—The Market Prospect

GERMANY'S PREDICAMENT

THE fundamentals of the next "solution" of the perennial reparations problem and its ally-debts annex may be said to have been left to a committee of two consisting of France and Germany, with France in the chair and having a vote as such in case of a tie. President Hoover was only too glad to drop the hot potato he picked up in his moratorium venture of last June and roll it to Premier Laval. England went broke trying to help Germany against France and is quite willing to remain in the background and concentrate on domestic problems.

For good or for ill, France seems to be boss of the situation once more. She will insist—always looking out for No. 1—that whatever else may be agreed upon, the unconditional part of reparations annuities must be paid, as provided in the Young Plan. As to the other part, the part that will touch off the question of revising the inter-ally debts, she is content to let the committee of the Bank of International Settlements act and pass the problem on to the United States. After that France will complacently let England and the United States torment themselves about the problems of extension of the German short term inter-

national private debts, having got out of that entanglement, herself, while the getting out was good.

At the moment there is so much resentment in the United States over our deep embroilment in German finance, which our international bankers brought about, that public opinion is with France in insistence that public debts must have preference over private debts. The American taxpayer has no intention in his present hard-run mood of passing up 250 million dollars a year to correct the indiscretions of the bankers.

Germany is in no mood to accept French dictation as to what she must do now, or later to purchase French co-operation in her economic rehabilitation. The presidential elections come in February and the menace of Hitlerite control grows more threatening. Between submission and revolution the die may be cast for revolution. That would be the final solution probably, of the whole tangle of inter-governmental debts. It would not be the first time the sword has cut a Gordian knot.

The battered world has grown used to shocks and might accept such a rude surgical operation with a feeling of relief. It would be a pity though for Germany to have to go through another internal upset

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Three Years of Service"—1931

just when she seems to have awakened to the cold reality that self-help is her ultimate way out, when her industries are girding themselves for renewed efforts and exports are steadily mounting above imports. But France is in the seat of power. Germany must choose between subjection and a meal ticket.

ANOTHER HYPODERMIC

WITH his proposal for a small real estate mortgage discount system under Federal auspices President Hoover has undertaken to give the frozen economic situation another tonic "shot." Contrary to the general impression, this scheme does not permit of immediate injection. It is no first aid to the financially injured small-home borrower nor the institutions which have been carrying him. It is rather a plan for the permanent improvement of the financial structure on which the acquisition of homes now rests.

The Federal Reserve provides a national system for the rediscounting of commercial credits and the Farm Loan System serves agricultural real estate credit but there is no system which permits of the turn-over of loans for the financing of urban real estate improvements. In view of the plethora of funds during the boom for the financing of the erection of commercial and industrial structures about the last thing the country needs is the stimulation of such building. What it needs is to be left severely alone. The financing of small residences is entirely different.

The social advantages of home ownership are indisputable. As it is now when the various agencies operating in this field of finances have loaned their funds on hand they are through until liquidation of their necessarily long-time commitments. Under the proposed system of a number of Federal real estate loan banks scattered over the country capital could be turned over; and the loaning agencies, within limits, could make each fresh loan the collateral basis for new loans. As in the case of the Federal Farm Loan System and even the Federal Reserve System, itself, at the beginning, the initial capital would be in whole or in part supplied out of the Federal Treasury with provision for replacement entirely by private capital.

Such a system would introduce order and reasonable financial charges into the present chaotic and burdensome system or lack of system. It would tend to provide sufficient funds for the annual demand for 300,000 new homes and at the same time avoid overbuilding. The building industry, so far as it is concerned with small houses involving loans of not over \$15,000, would be stabilized and the property owning element of the nation would be increased.

THE TEST OF LEGISLATION

WE are fast approaching a period in which the country is to be subjected to the greatest volume of proposed legislation that has emanated from any Congress in a generation. Every senator and representative will arrive in Wash-

ington next month charged with bills for the special advantage, benefit or relief of his constituents. The political capital to be made out of legislative panaceas for curing such ills and hardships as the past two years of adversity have engendered will result in an unduly large proportion of proposed enactments of a bizarre, not to say hazardous, character. Fortunately many of these pet schemes will die in committee—others will be consigned to oblivion through their own absurdity; but despite such desirable casualties there will be a sufficient number of surviving bills of a radical nature to give pause not only to Congress but to the country at large. Let us hope that they will be analyzed, not from the standpoint of special group benefit or sectional advantage, but on a basis of their national effect. It will prove both short-sighted and dangerous to impose any highly partisan or class legislation, even though it be designated as relief, on top of all the hypodermics that have already been administered. The good of the country as a whole must be the criterion by which the proposed laws must be measured. Ambitious groups must be won to the policy of "the greatest good for all." Sacrifices, not self-interest, will mark the only path out of depression.

PAYING UNEARNED DIVIDENDS

IT is widely agreed that corporations which have built up fat surpluses in boom times, and which retain this financial gain in liquid form, are following a justified and helpful course in continuing to pay out reasonable dividends, although not currently earned. Such distributions to stockholders have played an important part in maintaining our general purchasing power.

At present, however, it begins to appear that the widespread insistence upon dividend maintenance is reaching an unsound, even dangerous, point and that more and more corporations will be forced to a more frank and prompt recognition of the inevitability of dividend revisions or omissions, the majority of which changes are already forecast, if not discounted, by low stock prices and abnormally high yield. Only a relatively few companies have the liquid resources to pay unearned dividends without incurring grave risk in cases where virtually the entire payment must come out of surplus. There are altogether too many such instances. A notable one is New York Central, which is understood to have borrowed \$50,000,000 from the banks, yet has paid out approximately \$29,000,000 in dividends this year. We can not escape the conviction that postponing the evil day in regard to dividends only prolongs the agony.

THE MARKET PROSPECT

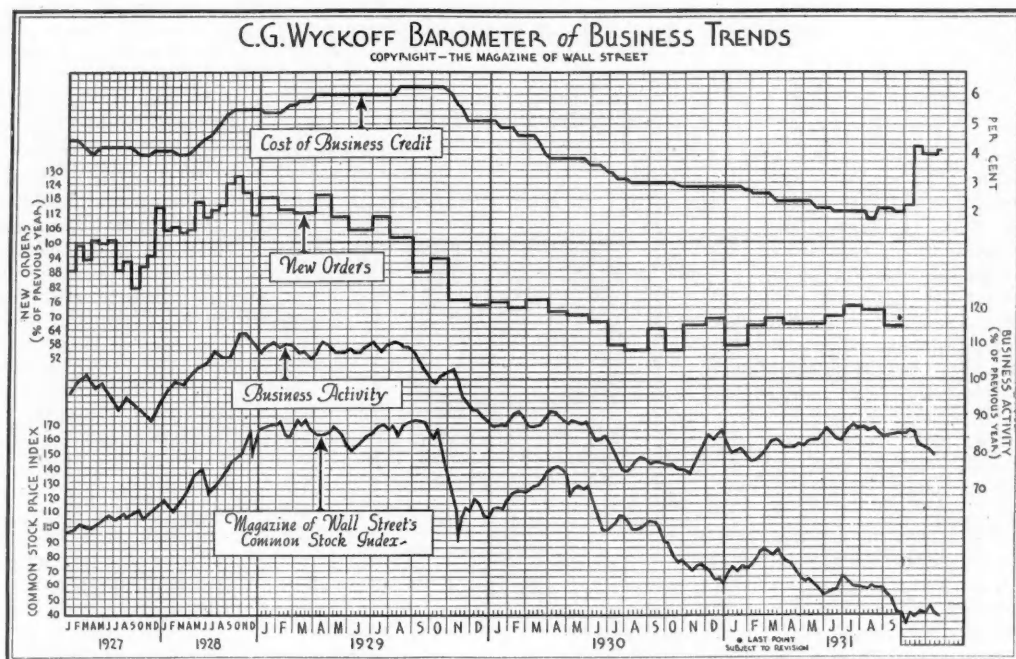
OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 118. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, November 23, 1931.

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Three Years of Service"—1931

Taking the Pulse of Business

Few Current Gains Notable



THE Barometer affords a picture of business at low ebb but is not without encouraging implications that many adjustments in both finance and industry must soon find reflection in moderate improvement. It is true that reactionary tendencies are apparent in all the curves on our chart except the Cost of Credit line, but it is not unnatural that the closing months of a year of depression should be characterized by caution in assuming new commitments. New orders for raw materials and finished goods clearly indicate this trend and sympathetic weakness likewise exists in the index of industrial activity. But it must be remembered that most industries have been adjusting themselves to the low levels which adverse conditions have imposed and there is no greater significance in current minor declines. If plants were now operating at full capacity, and interest rates were abnormally high, as in 1929, then a recession of the magnitude recently registered by our three lower indicators would foreshadow a further decline of considerable proportions; but, with unfilled orders at the present extremely low level, rather wide fluctuations in the business indexes may be occasioned solely by the circumstance that manufacturing plants are being operated intermittently.

Moreover considerable significance is attached to the

improvement in numerous financial factors in the situation. It will be observed that our Cost of Business Credit is well sustained with fluctuations in narrow range indicating a better demand for funds for commercial purposes. In addition there has been a notable decline in bank failures although they would ordinarily be on a seasonal increase at this time, the outflow of gold has been supplanted by a mild influx and there is evidence in the Federal Reserve bank reports that if funds are not actually coming out of hoarding at least the movement to increase hoarding has been checked.

These are suggestive of returning confidence which must soon be translatable into more buying, more orders and somewhat improved industrial operation.

So far, admittedly, such quickening is not evident in basic lines. Steel alone of the major industry registering fractional, and probably transitory, gains; but after the first of the year perceptible improvement should be evident particularly if such large consuming industries as automobile and building quicken their pace.

Meanwhile the stock market registers disappointment over the current position of industry and the temporary recessions in wheat and silver. In this, however, it is serving as a mirror rather than anticipating events which is characteristic of its action toward the end of a long adverse period.

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
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The Market's Next Move

Next Few Weeks Constitute Period of Severe
Test and May Afford Favorable Buying Level

By A. T. MILLER

THE stock market has sobered up from the good news "jag" of October and is again under the necessity of concentrating its attention upon the continuing problems of the worst economic depression since the '70s—a depression which, newspaper headlines to the contrary notwithstanding, has not miraculously blown away.

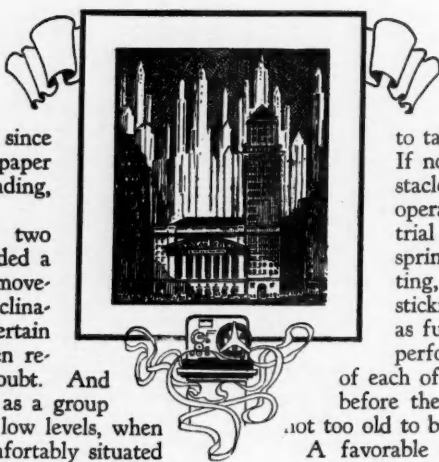
As has invariably happened for two years whenever sharp rally has provided a breathing spell in the liquidating movement, the first confident speculative inclination to check off October 5 as the certain low spot of the bear market has been replaced by a growing caution and doubt. And well may it be when railroad stocks as a group have dropped at this writing to new low levels, when the utility group is scarcely more comfortably situated and when such important issues as United States Steel, Westinghouse, Johns-Manville, Western Union, Radio, New York Central, Delaware & Hudson, Southern Pacific and Union Pacific have slipped through the October 5 level to new depths.

Testing the Lows

Whether the rest of the market is to follow and whether the landmark of October 5 is soon to be relegated to the historical background, as it in turn superseded June 2 in speculative calculations, remains to be seen. Certainly, in the absence of convincing proof of business improvement, one can place little faith in theoretical resistance levels.

A general test of the October 5 price line is, obviously, a matter of very real interest and importance, since the result will be accepted by the majority of speculators as a sufficiently reliable reflection of the inherent market position. If the market, on the average, holds at or near that much watched level its action would constitute rather strong proof that liquidation had at last been balanced by investment demand. If such proves to be the case, the stage will have been set appropriately for accumulation and a rally—a rally which could prove either false or the beginning of real recovery, but which, barring the unexpected development of fresh adversities of major scope, might conceivably meet with few speculative difficulties until next spring, before which time no one will be able to judge whether the certain seasonal business gains of early 1932 are to be significant.

It is worth while, looking ahead to the year-end, to bear



in mind that, regardless of continuing doubt as to the fundamental course of business, the speculative temperament is not long content with idleness and usually is not slow to take advantage of apparent opportunity.

If not faced by overwhelming external obstacles, it is a simple matter for professional operators to make much of seasonal industrial gains and to lift the market from the springboard of a favorable technical setting, leaving the question of getting out or sticking with the movement to be settled as future events dictate. There has been a performance of this kind in the early months of each of the last two years, beginning, indeed, before the end of the old years. The trick is not too old to be ventured again.

A favorable technical setting would be provided either by the market's refusal to extend the underlying declines or by a violent break through the October 5 prices, although in the latter event efforts to guess bottom would be attended with the usual hazard. A decision as between these two possibilities is now in the making and should be carefully watched by potential buyers. It now appears probable that an unusual trading opportunity may be presented some time during December.

Earnings Base Needed

Whether it will turn out to be also a long-pull investment opportunity is, of course, not subject to forecast, since this will depend entirely upon the actual course of business next year. It need hardly be said that a genuine bull market in stocks cannot be erected without a foundation of improving corporate earning power. It is obvious that for the time being this support is lacking. Indeed, it is quite clear that the average level of corporate earnings to be shown in the fourth quarter reports will set a new low for the depression. It is equally clear that many companies have reached the end of the rope in paying unearned dividends.

It is well to remember, however, that stocks can never be had cheaply when the outlook is bright. Moreover, it must be borne in mind that the market trend does not always accurately follow that of business, although in the long run the two must square. Time and again, aided by opportunist professional efforts, the attempt is made to discount business improvement in advance. Surely, after more than two years of readjustment, such an attempt at the turn of the year could be accepted as at least plausible.

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In looking to some degree of improvement in market action after 1931 has been written off the books—which involves banking heavily on psychological and seasonal factors—there is no point in arriving at any fixed judgment as to business prospects. Certainly, a fixed pessimism will become increasingly dangerous.

It is unfortunate that the public has been treated to a misleading deluge of optimism by the press. There is no evidence whatever of a tangible lift in business activity. Even when the "prosperity campaign" was at its recent height, with wheat and stock prices mounting rapidly, the only business index showing even faint improvement was that of steel operations, which advanced from 28 per cent to 31 per cent of capacity. This movement has now been checked and in all probability will be reversed by moderate recession during the remaining weeks of the year.

The indexes of railroad car loadings, electric power output, the volume of construction and the production of automobiles all remain unfavorable, although the motor industry faces some immediate pick-up as new models are introduced. To date there is no change for the better in unemployment. The speculation in wheat has lost much of its bloom, coming to depend more largely upon expectation of a reduced crop next season than upon the recent exaggerated reports of important change in world factors of supply and demand. The silver speculation likewise has tapered off and copper metal has again declined, due to the failure of the latest attempt at artificial production control.

But such adverse factors as are detailed here are not in any sense new or surprising. They are approximately what any intelligent observer would expect in the last weeks of a disastrous year and hence may have been rather generally discounted in market valuations. At any rate, the existence of these obstacles at the close of November is by no means proof that they cannot begin to clear away in January or February.

They do not, of course, complete the list of adversities. The financial position of the railroads, some of which are unable to earn fixed charges, remains a serious sore spot, of vital concern to the many insurance companies and savings banks which own railroad bonds. At this writing it is not known whether the Interstate Commerce Commission will accept the revised pooling plan offered by the carriers for handling the proceeds of moderately higher freight rates.

Nor is there any indication as to the outcome of the wage negotiations now going on between the roads and the railway labor leaders. It is apparent, however, that the negotiations will be protracted and that quick wage relief, which the roads so badly need, can scarcely be expected.

European problems are still with us and, at least in Germany, offer possibilities of political and financial dynamite.

Future developments here are wholly beyond reasonable conjecture, although it is a hopeful factor that Germany and France have at least reached a preliminary basis of agreements as to procedure for expert re-consideration of German obligations. Moreover, the sweeping growth of Fascist nationalism in Germany and the progressive weakening of the economic position of France, as the depression finally sweeps over her, are forces which should move the present governments of both countries to determined action.

The assembling of Congress is also a matter provoking a certain amount of stock market apprehension, but such political fears are usually exaggerated. The Administration has at least made a start toward economies and has frankly recognized the necessity of imposing heavier taxes, which is much preferable to heavy issuance of bonded debt.

The outstanding favorable factor is the undoubted change in public sentiment and attitude. Although the year-end is normally a period of seasonal increase in insolvencies, there is substantial ground for believing that the black record of banking failures during October marked the low point for 1931 and perhaps for the entire depression. Failures in November have been far less numerous.

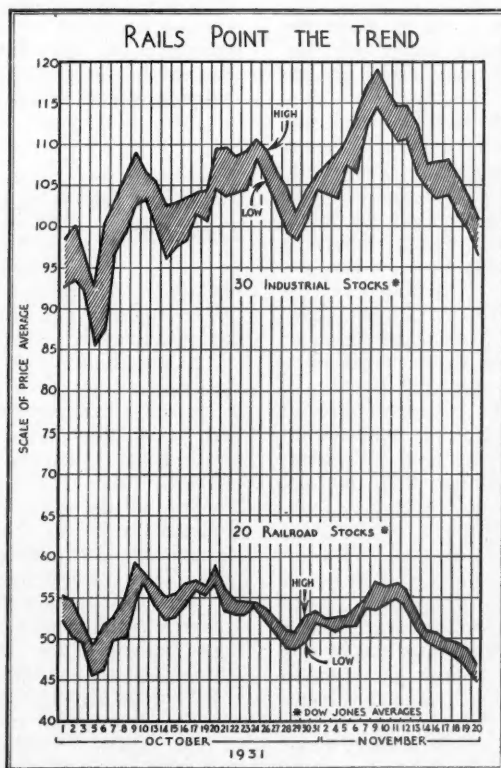
Because of this visibly reassuring factor, the reversal of the recent heavy drain upon our gold supply and the remedial steps launched at Washington, public confidence in the banks is obviously strengthened. The evidence is reasonably conclusive that currency hoarding has passed its peak and that the return flow of money to the banks should before long greatly ease the credit situation.

This is not to blink the fact that frozen banking assets are still frozen and that, regardless of artificial remedies, this major problem will require much time for solution. But it can be solved if the public remains calm and refrains from complicating matters by putting unnecessary pressure upon the banks.

Finally, on the bright side, commodity prices on the average continue to maintain the tendency toward increasing stability evident since last May, the recent pace of decline having been so moderate as to make business adjustment to it not unduly difficult. A stable price level as we go into 1932 would give general business the best foundation it has had since the depression started.

In the stock market brokers' loans and the volume of bank collateral loans continue to be steadily whittled down. Such liquidation unquestionably is strengthening market underpinnings for the ultimate change of trend but is necessarily an element of doubt in the current prospect. If this, together with public selling, is

to precipitate a violent decline it should come soon. It should be normally forecast by a substantial increase in trading volume. Thus far, despite unfavorable technical indications in price action, dangerous volume is lacking.



Congress Brings a Political Crisis to Deal With the Economic Crisis

How Will Business Fare?

By THEODORE M. KNAPPEN

"JACK" GARNER, 62, "had limited school advantages," small-town lawyer, Uvalde, Texas, Democrat, will be speaker of the House of Representatives of the seventy-second Congress of the United States of America. He has been continuously a member of the House since 1903. His wife is his private secretary, and she expects to continue in that capacity. No social life for her—no temptations of the brilliant social lobby of the Capital. Before blunt Jack Garner and his secretarial wife were suave Millionaire Nicholas Longworth and aristocratic "Princess Alice," representing many generations of wealth and social position.

These are important facts, because Jack Garner is one of the many Garners to whom political control of Congress has passed. They signify that Congress is Democratic and democratic, that the plain people have again become vocal, that rural America, and more particularly the South, are in the saddle at Washington. They signify a potentiality of lawful political revolution. . . . But not all of them have such significance. That Garner is of mature years and has been 28 years in Congress have a differing significance; they blend caution and prudence with rampant liberalism. Supporting these virtues are a scant majority which death may at any time overturn—and Tammany. Tammany Hall, perfect type of political organization for what there is in it, musters some twenty of the precarious majority that makes Garner speaker. It can make or break Garner and his host from the back country.

Hard Times and Radicalism

But even Tammany's stolid devotion to politics as a materialistic way of life may not be able to stand against the epochal popular tide in economic and political waters that seems to be engulfing us.

Every great business depression as well as every boom has had its complement in politics. In every depression the masses tend to gain in political power, and the old Jefferson-Jacksonian ideas of economic as well as political democracy renew their fountains.

And always this resurgence of democracy is marked by a demand for inflation or cheap money. The average man is notoriously a debtor. Depressions hit debtors the hardest because they are periods of deflation. The debtor

finds himself compelled to pay his debts with more labor or more goods than he received.

The depression of 1873-78 brought the demand for "greenbacks"—cheap paper money.

In the hard times of 1884 and thereabouts the Farmers' Alliance was born, and greenbackism raged again.

In the early nineties came Populism, Bryan, the demand for cheap money in the form of free silver and the tempestuous campaign of 1896 when as Bryan saw it the common people were finally "crucified on a cross of gold." The wrath of the people was vented on the bankers and railroads in both the seventies and the nineties.

Inflation for Deflation

The present economic crisis has brought to Congress a great demand for cheap money. With it is a storm cloud of wrath for the economic system which has permitted such ruin. It is vented against the money-power in general and its manifestations in such great groups as the utilities but more especially upon the great bankers.

The complaint is that for the ten years of the "new era" the bankers were given a free hand and gave the country in exchange nothing but the greatest economic fiasco in fifty years. Mellon, the richest banker in America, was at the helm of national finance, the bankers directed the policies of the Federal Reserve Board and pretty much that of all the great corporations. Their utter failure to avoid a crisis, or check it when it came, is taken as a sign of complete bankruptcy of economic thought on their part. They are considered to have failed to deal intelligently with their own problems and those of the nation. Congress is full of men who are convinced that the bankers know nothing of the fundamental principles of money or finance, and that the people must now deal with them.

It matters not that the Senate is nominally Republican by a majority of one. Of the 22 Progressives in the Senate, fourteen are Republicans for certain only during election campaigns and in organizing the Senate. The Democratic Progressives are Progressives mostly because they are Democrats. The Republican Progressives are Progressives mostly because they are not Democrats. Which means that the Progressive Democrats generally vote with their party and that the Republican Progressives can never be relied upon to do so.

Finally in the White House, with the power of veto over

Congress sits Herbert Hoover, Republican and conservative, with few friends in Congress, but set upon being a second-term President.

Those are the ingredients of national legislation for the next two years. Out of such a mess almost anything may come. Business not only has a Congress on its hands, but such a Congress! Buffeted by two years of financial and industrial storm, business, weak and emaciated but showing signs of convalescence, now has to face the prospect of a dose of legislative medicine which may be far from what it would prescribe for itself.

No Moratorium in Politics

In view of the business crisis and financial demoralization which constitute a national emergency there has been talk of a moratorium on

politics, of some sort of an agreement on a program for dealing with taxation, the budget deficit, employment relief and economic reconstruction measures. But there will be none. The Democrats, already with a quasi-control of Congress, see the White House all but within their grasp in 1932, along with invincible majorities in both houses of Congress. They are out to make a record for 1932—a vote-getting record. The Progressives consider the present political conjunction the opportunity of their lives, the greatest opportunity a minority has ever had in Congress. They will commit themselves to nothing except their own eccentricities.

Consider taxation. With a deficit that promises to exceed two billion dollars in the near future, a business directorate would look around for some means of increasing revenue. But the first thought of a political directorate is that taxes are unpopular and not productive of votes. Besides when people are hard up and out of employment by the millions, adding to their taxation burdens doesn't seem to make sense. But wait! Congress has already

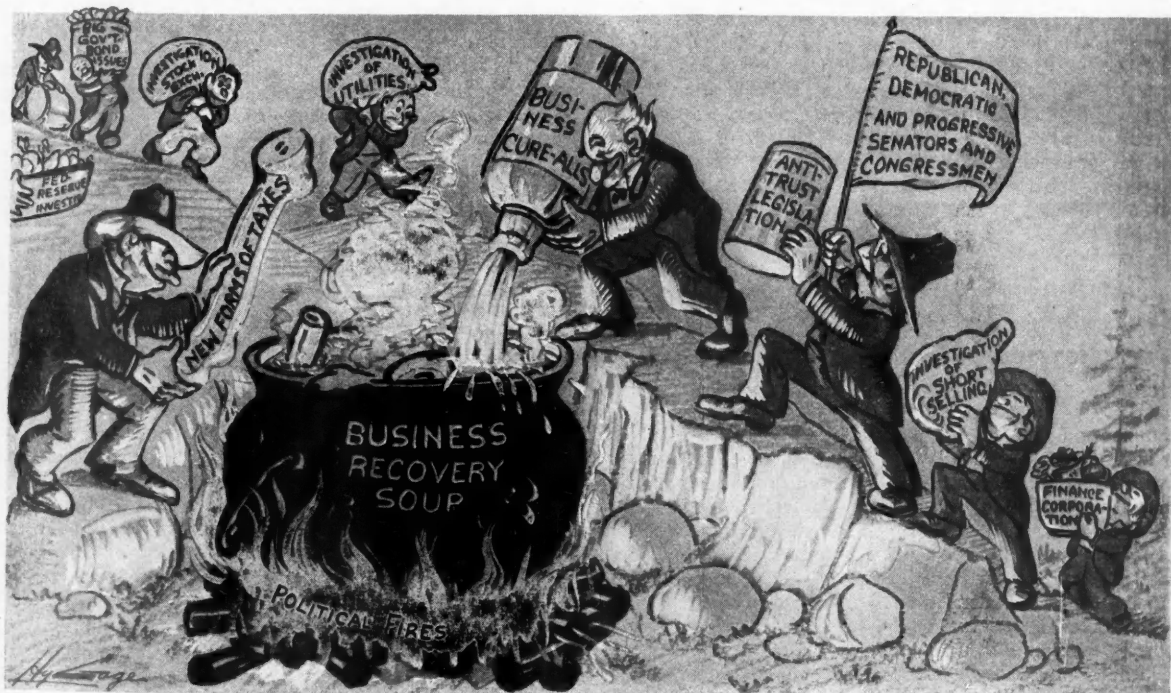
eliminated about 5,000,000 people from the Federal income tax rolls. Of the remaining 2½ million of payers (in 1929), fewer than 39,000 pay 81 per cent of the total income tax revenue. That is not many votes, and it is a whole lot of money. The Democrats as a rule and the Progressives en masse are in favor of heavy taxation as an instrument of "social justice." Let the money-makers make money, if you can't prevent it, but take it away from them by taxation. Congress has its eyes on the 504 income payers of 1930 who confessed to incomes of more than a million. It notes, too, that there were 18 more income-millionaires in 1930 than in 1929.

Higher Taxes

So as certain as anything in the future can be the Democrats and Progressives, aided by a large number of straight Republicans will favor a smashing increase in surtax rates. A similar combination will be keen for an increase in estate taxes and the imposition of a heavy gift tax. Too many rich men are fooling the tax collectors by giving away their property. Even conservative Senator Reed of Pennsylvania, corporation lawyer, harks back to Jeffersonianism and advocates the virtual extinction of personal fortunes at death. Normal personal income tax rates will not be disturbed.

Members of Congress who regard corporations as modern feudal barons who harry and rob the common man would love to tickle their vitals with the taxation stiletto, but things being as they are, they fear the stiletto might go through and stab the people behind. They have learned that taxes are passed on by corporations. At that, the corporation income rate may be raised a point. The capital gains tax will stand.

But after all minus incomes don't yield taxes. There are glum faces in the Treasury Department when you mention the probable amount of 1931 incomes. There are in-



How Will It Taste?

timations that the country will be shocked when it discovers how the incomes of the rich have dwindled. Then again, what the flattened treasury needs is income now, not in 1933. And here comes the proposal for a sales tax. Incomes may be depleted but people are buying things just the same—and in surprisingly large volume. Unfortunately it is the poor who do the great mass of the buying. Plainly, a general sales tax is no kind of taxation for a practical politician to impose. So it dwindles down as a practical proposition to special levies on luxuries, but mind you none of those war-time nuisance taxes that made people turn against the Government every time they bought a theater ticket or took a ride on the railways. At one time some non-politically minded officials talked of a gasoline tax at the refineries. The politicians soon decided that gasoline is a necessary of life in America, and the proposed tax is only a memory. Now they are about convinced that automobiles are a necessity, but there is much, though timorous, sentiment in favor of taxing them. In general, however, it is being discovered that the American people have no luxuries, everything they buy having become necessary to the standard of living they had two years ago and that they confidently expect to regain.

President Hoover has trimmed the 1932-33 budget by 350 million dollars, which is 280 million below the current budget. That is only a thin drop in a deficit that promises to be close to 3 billion by the end of this fiscal year. And that is without taking into account what an unyoked Congress may do to the budget. A bond issue to pay running expenses seems inevitable. But to limit it as much as possible Congress is likely to suspend all war debt reduction whether the President recommends it or not. That means that the sinking fund will be sunk for two or three years, which will be a saving of about 250 million dollars. It is held that the national debt was reduced so rapidly in the fat years that more of it can well be passed on to posterity. Anyway, why fool with debt reduction when you are running up new debts?

Bonds for Unemployment Relief

A host of bills is being incubated for unemployment relief and business inflation. Senator Norris is talking 3 billion dollars for highways—no Federal and state 50-50 combination this time, but a straight 3 billion from the federal treasury. Senator La Follette is visioning four or five billions for public works, including buildings. Senator Shipstead wants 500 million for completion of the inland waterways program. All of these are aimed at inflation as well as the provision of employment. It is contended that prosperity must be bought back with a flood of spent money. Direct Federal money relief for the unemployed—the dole—has a better chance than is generally supposed—especially if unemployment gets worse.

Senator Brookhart goes straight to inflation with a proposal for the issue of several millions of treasury notes—greenbacks again. Why bother with bonds when you

can print money and pay no interest? Too little money has deflated the country, especially the farmers. Cure deflation by inflation, he says.

Along with inflation for the benefit of the debtor classes goes an idea of deflation for the creditor class—Wall Street in particular. The bankers and the wealthy magnates generally, according to this concept, cornered all the prosperity there was in the last decade. Stocks and bonds have been run up about 45 billions—far more than the traffic will bear. The objective is to reduce market prices to about the level of 1910. It is fantastically suggested that this be accomplished by the abolition of the exchanges

so far as interstate business in marginal trading is concerned. Senator Glass will push his bill for a 5 per cent tax on all stock speculation. Speculation is to be defined as the holding of securities for less than 60 days. The last blow of deflation for stocks would be the realization of Senator Brookhart's idea of limiting the expansion of capital to 4 per cent a year.

There will be many bills for the abolition of short selling of stocks and commodities, and with much conservative support.

The dominating idea when the Federal Reserve System was created was to get bank reserves out of speculation. It was thought that would get the banks out, too. But it hasn't. Senator Glass is figuring on a way to do it. His sub-committee of the Senate Committee on Banking and Currency has conducted an extensive investigation of the national and Federal Reserve banking systems. As a result there will be bills for various kinds of repairs and reconstruction of

the banking laws. Some of them will probably pass, but the majority of Congress is pretty well sold on the idea that the Reserve System must not be loaded up with frozen credits. The purpose of legislation is likely to be more in the direction of improving the banks and banking system with emphasis on conservatism.

It is recalled that the bankers of the nation were one hundred per cent against the great reform represented by the creation of the Federal Reserve System. They have been consulted about the proposed improvements, but there is a general tendency to ignore their advice. For instance, there has been much unfavorable comment on the testimony of Mr. Wiggin of the Chase National Bank before the La Follette committee to the effect that the banks were not responsible for excessive flotations of stocks and bonds. The banks, he said, merely responded to the demand. With equal candor Mr. Wiggin declared that depressions were inevitable and that little could be done to prevent them, so long as a new generation was always coming into business. This statement didn't jibe well with the present range, in and out of Congress, for some sort of national economic council, which is a favorite idea with Senator LaFollette. This idea of a national business planning council is linked up with plans for revision of the anti-trust laws. Such revision is to be a big subject in this Congress.

The main drive just now is for some sort of temporary suspension under supervision of the anti-trust laws, especially of the natural resource industries, with a view

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Major Questions Before the 72nd Congress

1. Continuance of Cheap Money
2. More Conservatism in Banking
3. Larger Sur-taxes on Large Incomes
4. Luxury Sales Tax
5. Bond Issue to Meet Budget Deficit
6. Bond Issues, Public Works to Afford Unemployment Relief
7. Continuance of the Farm Board
8. Federal Land Banks Strengthened and Extended for Farm Relief
9. Federal Regulation of Public Utilities
10. Tariff Adjustment, Perhaps by Reciprocity
11. Full Payment of International Debts
12. A Federal Finance Corporation

More Commercial Loans, Less Security Financing,
Weak and Incompetent Institutions Eliminated —
These Are Some of the Characteristics of the New Day

When Banks Go Back to Banking

By ROYAL T. SANFORD

STIRRED by an appalling record of bank failures and the accompanying evil of currency hoarding, a political cry for widespread reform in banking practice and regulation is now being raised. It will find full voice in the coming session of Congress and probably will be heard in virtually every state legislature. Definite measures of legislative remedy are suggested by the Comptroller of the Currency and by varied state superintendents of banking.

Yet it is a striking fact that the grave banking difficulties from which we now suffer developed in spite of the very substantial legal regulation to which the banks already are subjected. In the past we have gone through similar periods of public clamor for banking reform, with the result that standards unquestionably have been raised—but never, until this time, to the point at which incompetent and unsound banking was eliminated.

It is to be doubted that legal remedy will ever be perfect, since it is quite impossible to legislate banking competence, integrity and common sense into the head of every individual who decides to operate a bank for profit. Accordingly, regulation will ever be a secondary influence, tending to lag behind that constant evolution of banking practice which is shaped by economic circumstance.

Vital, sub-surface changes in banking methods are now

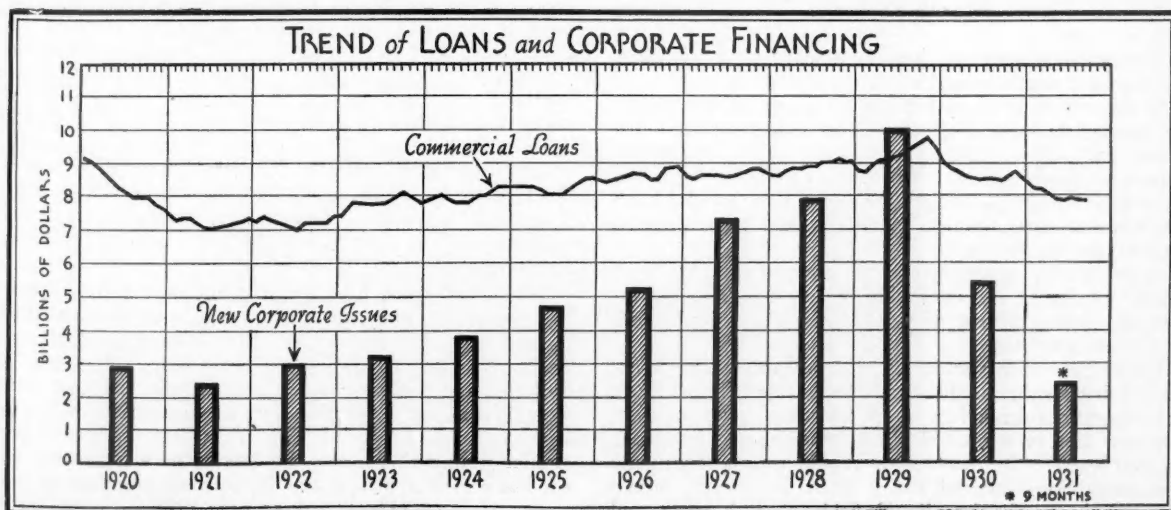
going on as a natural result of the lessons learned in depression. In the long run these are likely to be of far more importance both to the banks and to American business than any changes in the program of public regulation.

Above all, there is a marked tendency to turn away from the unsound policies given free rein during the late boom by so many banks and to get back to the first principles of sound commercial banking.

It is not too much to say that bankers are going back to banking after a boom-time fling at many practices which we never formerly conceived as being even remotely within the proper province of a bank. To get a clear picture of what has happened, first, in the drift away from tried and true principles and, second, in the present drift back to them it is necessary to get down to elementals and remind ourselves of what a commercial bank is.

Its chief functions are to accept and safeguard deposits and to extend credits. That the safety of the funds entrusted to the bank's keeping is its primary obligation is so obvious that it should require little comment, yet it is an obligation which all too many bankers have insufficiently respected in their natural desire to make money for their stockholders under new and difficult conditions.

The theoretical credit function of a commercial bank is



to extend temporary capital for the movements of goods—that is, to finance the producer, including the farmer, through the interval between production and sale, as well as to finance the middleman and the retailer between the time of their purchase of goods and the ultimate distribution.

Such application of depositors' funds always has been a vital cog in the business machine and represents fundamentally safe banking policy. The loans are secured by essential goods, are ordinarily made for short periods of time and tend to be self-liquidating. They are liquid not only in their inherent characteristics but because they are acceptable for re-discount by the Federal Reserve System.

It is from this primary field of operation that too many banks have strayed. The blame, if blame there be, is difficult to apportion. In many instances reckless greed and incompetence certainly were involved, as in the black chapter of banking history written by the collapse of the Bank of United States.

This, however, is not a typical case. The typical bank found itself confronting new conditions in the post-war era—conditions which made it difficult, if not impossible, to operate profitably without some modification of older policies. The average insolvent bank has honestly strayed from the straight and narrow path of safe liquidity in the effort to adjust itself to what it believed was permanently a new condition.

It is plain that if ordinary commercial loan demand were of sufficient volume to utilize all of the credit facilities of a bank there would be little excuse for it to venture into other and more doubtful extensions of credit.

But it was precisely in respect to this point that a new condition arose. The profits of the war vastly increased the financial strength of general American business and the movement toward corporate liquidity was even more strikingly expanded in the unprecedentedly prosperous years from 1923 to 1929. Moreover, the speculative boom in securities which developed during this period opened an inviting path for corporate financing through the flotation of stock issues.

Security Financing

The result was to free a great number of corporations from their former dependence upon the banks and to do so at the very time when, because of widespread prosperity, the banks had more credit than ever before available for sound utilization. The normal expansion of commercial loans accordingly was retarded, as the accompanying graph indicates, there being no such demand for commercial bank credit as unusual business activity would have dictated under older conditions.

Another new condition was the tremendous growth of public interest in the ownership of securities and the inevitable accompaniment of a demand for collateral credit at almost any price.

Under these circumstances it was perhaps not to be expected that surplus funds would remain idle. Excess funds of corporations tended in many instances to go into unnecessary and unwarranted plant expansion and into stock market loans. The banks, confronted by an inadequate commercial loan demand and a desire for profits, turned increasingly to the less liquid fields of real estate and

security financing and in the aggregate definitely encroached upon the functions previously regarded as belonging to the private investment banking firms and underwriters.

It is chiefly the banking shift in these two directions for which we are now paying so heavy a penalty, both in actual bank failures and in the destruction of public confidence. It is because commercial banks extended credit without sufficient regard for the all-important factor of liquidity that we now have a "frozen assets" problem. It is not commercial loans that are frozen, but real estate and collateral loans.

A real estate first mortgage, properly and conservatively appraised, is a fundamentally safe type of investment, as the insurance companies and savings banks have thoroughly proved. But, however safe in the long run, such loans are not liquid. They are not self-liquidating and capital so tied up does not have the rapid, useful turnover of commercial loans. Nor is it subject to prompt recall by the bank depositors who are its actual owners.

Viewing the obvious evils that have arisen, both because of the non-liquid character of real estate loans and the mistakes of many banks in lending upon inflated appraisals, it is at least open to theoretical question whether commercial banks should engage in this business. In any event, it is necessary to recognize frankly that the real estate loan is a dangerous field of commercial banking. If commercial banks are to remain in it for the sake of otherwise unattainable profits, more conservative standards must be applied, both in appraisals and in the proportion of banking assets so tied up. Fortunately, the problem is to a large extent self-correcting, for the burned child dreads the fire. Many banks have learned their lesson at the cost of insolvency. The rest are likely to profit by the example.

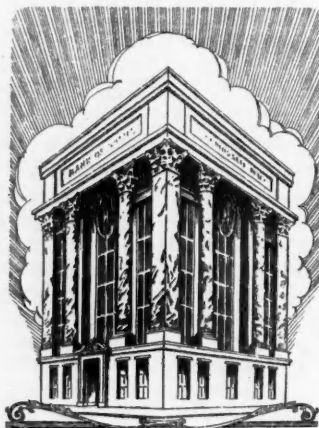
More Bonds in Portfolio

In the securities field lessons galore also have been learned and corrective processes are now in progress. With an excess of funds on their hands it was inevitable that banks should have gone more heavily into bond investment. With a generally over-built business capacity confronting us, with the prospect of lessened demand for funds for corporate expansion, it is likely that investment operations for years to come will play a larger part in the utilization of banking assets than in past years. Although many small banks have been lax in their selection of bonds, while more experienced and capable bankers relied heavily upon Government bonds and other high grade issues of short maturity, there is no fundamental problem here. There will be no dearth of suitable investments and the present trend unquestionably is toward greater safety in investment selection.

While call loans have again demonstrated their safety and absolute liquidity, the same cannot be said for collateral loans to bank customers. An unprecedented total of such credit was extended during the boom years. The obvious fact that the banks are now so insistently reducing such loans is sufficient proof that they are recognized as having been unsoundly expanded. This credit item, we know now, is subject to no such easy liquidation as was assumed in the last period of prosperity. It has come down one billion

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¶ Heavy Interest Obligations Are Stifling Our Export Trade with Latin America.

¶ Shall the Bondholder Be Favored at the Expense of the Exporter or Vice Versa?

Burning the Latin American Candle at Both Ends

By GEORGE E. ANDERSON

THERE has been general approval of the action of the Investment Bankers' Association in arranging for the dissemination of reliable and understandable information concerning the financial position of all countries whose bonds are in any way in default. This action certainly is not radical and falls far short of the desires of those bankers and investors who have been attempting for several months to effect an arrangement whereby positive aid can be given the countries concerned. Nevertheless, any course which may lessen the hysteria which has governed the foreign bond market in the United States for months represents some advance toward better things.

The situation in Latin American bonds particularly is little short of ridiculous. On the 15th of November bonds and other obligations of Latin American countries ranged in quoted values from a high of 83 for one Cuban issue to a low of 13 for a Bolivian obligation. True, many of these issues are in default but what can be said of a price of 66 for an Argentina 6 per cent bond not in default which only a few weeks ago sold as low as 36, of 43 for a Colombian 6 per cent, of 47 for an Uruguayan 7 per cent, none of which particular issues were in default? Or what can be said of a variation in quotations for the same Colombian 6 per cent bond on the same market and on the same day of from 32 to 43? No one can contend that these are fair values for these obligations, however dark the immediate prospect may be for some of them. Such quotations are possible only because

there is no demand for the bonds and offers of a few hundred thousand dollars of them suffice to beat prices down to new lows. Doubtless more and better information as to the actual financial situation of each of these countries will prevent continued senseless sacrifices of their securities by American holders but if American action is confined to merely finding out what it is all about the result is likely to be a situation which would justify some of the fantastic prices now quoted on Latin American obligations.

There are two phases of this Latin American situation of great importance to the United States. The first, perhaps, is the complete collapse threatened in the larger portion of the two and a half billion dollars of Latin American securities floated in this country in the past fifteen years or so and most of which are still held here. The second is the fate of the billion-dollar export trade which the United States enjoyed with Latin America in 1929 and which is now threatened with destruction. These two phases are closely related,—in fact unless relief is extended these Latin American debtors in some form there will be

either a collapse of debt services or a collapse of our export trade, or both. Both, indeed, are already realized to a disconcerting degree; for while bond defaults are increasing, trade is experiencing a tremendous decrease.

Exports from the United States to Latin America in the first eight months of the current year were only 37 per cent of such exports in the same period of 1929 and 52 per cent of such exports in the same period of last year.



Rio de Janeiro and Harbor

Exports from the United States to all countries in the first eight months of the current year were 48 per cent of those of two years ago and 63 per cent of those of the same period last year, the exceptionally great loss in Latin America being blatantly apparent. Considering the situation from the Latin American viewpoint it is found that in the eight months' period Argentina reduced its imports from all countries 26½ per cent as compared with the same period of 1930 and rejoices in the accomplishment. Brazil's total imports were reduced by over 40 per cent; Bolivia's by 20 per cent; Chile's by a similar rate. One by one down the list of Latin American countries the same tendency and the same policy can be checked off, each country deeming itself fortunate if its imports from the United States and other foreign countries can be reduced.

Buying Less and Selling More

It is not budget difficulty which leads to the movement; a reduction in imports in most countries adds to budget difficulties in a most serious way. Nor is it altogether the desire to protect domestic industries although that consideration naturally enters into the matter. All of the principal trading countries in Latin America have been revising their tariffs in recent months partly in the hope of increased revenue, partly for the stimulation of domestic industries, but more especially for the purpose of reducing imports while at the same time they are endeavoring to increase exports, at whatever price possible, for the purpose of securing such a favorable merchandise balance as will enable them to meet the service of their foreign obligations. Foreign exchange, especially dollar exchange, is their great objective.

Most of these countries have a certain amount of budget difficulties which arise from decreased revenues on the one hand and fixed charges and public works commitments on the other but in the larger and more important countries budgets are being balanced. Even Brazil, whose financial difficulties have taken practically all forms possible, reports a budget surplus for the first half of the year. But the price of the American dollar in terms of local currency in each of the Latin American countries where there is a free market for exchange and the steady exhaustion of reserves in the countries where central banks operate or where, as in Cuba, connections with United States currency control, tell the tale. No perfection in budget balancing can cover the fact that these countries are being called upon to pay more money abroad than they are receiving from any source. They are called upon to pay money which they can get only by selling enough goods abroad to cover their imports and the payments to be made. This they have been unable to do and are still unable to do in spite of the reduction in their imports. If the world will not buy they cannot sell and therefore cannot pay,—a very simple proposition fraught with ruin.

That the depreciation of the British pound sterling will be a material relief to Latin America is evident. British

income from investments in Latin America, including interest, amortization payments and earnings of direct investments is variously estimated at from £50,000,000 to £60,000,000 or roughly \$250,000,000 to \$300,000,000 annually. So long as the pound is 20 per cent below par this would mean an annual savings of from \$50,000,000 to \$60,000,000,—a very material help in time of trouble. Even this aid, however, is not sufficient to carry their international payments measurably near a balance. In 1930 Latin America, by very conservative estimate, was called upon to pay at least \$200,000,000 more than it received,—probably the sum was far greater. In spite of a closer balance of imports and exports resulting from these drastic import duties and extraordinary export efforts and in spite of the relief due to the depreciation of the pound it is probable that payments due this year for which there is no cover will exceed \$150,000,000. In several of these countries where there have been material reserves of wealth this drain has been met and in those countries where there is a central reserve system the result of this outgo has been postponed. It requires but a glance at current exchange rates, however, to realize that the pressure upon all of them has by no means abated.

The process of cutting down on imports and stimulating exports at whatever price they may bring is materially reducing Latin America's unfavorable international balances but at what cost? The cost to the United States is plain enough; the cost to the debtor countries is less apparent but probably much greater and more serious in its ultimate effects. Certainly there is no profit in the policy; at best it is an extreme temporary measure to ward off something worse. A reduction in the import trade of a country eventually will effect a reduction in its export trade. Present restrictions in Latin America reduce the volume of local business, reduce the profits of merchants, reduce returns for labor employed in trade, reduce import revenues and local taxes, the income of railway and transportation facilities, the standard of living of the people,—in short,

the entire national life of each country concerned is subjected to a new strain and a new reduction of resources.

The most serious feature of the situation is not merely present difficulties resulting in the restriction of imports which affects American exports to these countries or in the increasing number of defaults in debt services to the United States and other countries but in the fact that these countries are being utterly drained of their capital reserves and deprived of their own financial means for rehabilitating themselves with the return of more normal world conditions. In Peru, Bolivia, Mexico, Haiti, and perhaps one or two other countries these reserves have been completely exhausted. In Brazil and Chile the exhaustion point has been reached; in the Argentine and Uruguay it is approaching. All but one or two of these countries have shipped abroad all the gold possible without the absolute ruin of their currencies. Practically every country in Latin America which is continuing its foreign payments today is doing so only at the expense of its capital resources.

The movement of exchange against Latin America has

Private Long-Term American Investments in Latin America at End of 1930.

	Total
Argentina	\$87,777
Bolivia	116,043
Brazil	557,001
Chile	700,935
Colombia	301,892
Ecuador	11,777
Guianas	5,988
Paraguay	12,615
Peru	300,085
Uruguay	81,075
Venezuela	247,238
Central America and Mexico	968,576
West Indies	1,333,494
Total Latin American Investments	5,243,410

been emphasized in some cases by the disposition of many people in these countries to use funds they have owned abroad for the purchase of their own national dollar bonds. The proceeds of sales of national exports in many cases have been devoted to such purchases on the New York market, Chilean, Argentine and Uruguayan bonds of certain categories being involved in such transactions. The volume of such purchases has not been large but every such purchase has served to further beat down the value of the national currency involved.

Most of Latin America's difficulties in these lines are inevitable from the position of these countries. They have borrowed too heavily for their resources and some if not most of them would be in difficulties regardless of world depression. These conditions represent mistakes of the past which cannot now be corrected. The immediate consideration is that of minimizing losses and restoring normal trade. Most of the more acute present difficulties of these countries result from the dollar exchange situation and if the exchange value of their currencies could be brought back to or close to par by a moratorium on present international payments which would relieve the pressure upon them in the demand for foreign exchange these difficulties could be avoided or minimized.

Breakdown of Financial Machinery

The Latin American situation is preeminently an illustration of the results of the breaking down of the financial machinery on which all international trade depends. The fact that many of these countries can balance their budgets at home, including the service of their foreign indebtedness at anything like normal exchange, but are unable to balance their international payments demonstrates a lack of international financial adjustment machinery which must be made good before any complete recovery in international trade is possible. In normal times and under ordinary conditions this lack is supplied to some extent by private lending but uncoordinated and uncontrolled private lending is the foundation for many present international financial difficulties and this is particularly the case in Latin America. Under conditions of depression, distrust and the political instability which economic difficulties so often entail the present system has broken down altogether. So long as private capital is controlled by a distrust in the international financial and political situation which is inevitable under present conditions and the natural result of losses already realized, the resumption of ordinary international lending is impossible.

The situation in Latin America, as an outstanding example of the general international situation, can

be handled only through some new method for the concentration and control of the vast aggregations of semi-idle capital in this country for use of those countries which need it. This is an international need but the chief responsibility for meeting it lies upon American finance as the principal lending power in the world today and this responsibility is increased by the close commercial and financial relations built up between the United States and Latin America during and since the World War. Latin Americans are quite justified in their feeling that whatever may be the responsibilities of the United States toward Germany, Great Britain and Europe in general its responsibilities to sister republics to the south of us should come first.

Possible Remedy

Any plan for the relief of Latin America both for the present and the future must afford immediate release from the pressure of the demand for foreign exchange and stop the wastage of national resources involved in the effort to maintain foreign loan services and other foreign payments under present conditions. A little calculating on the service of Latin American foreign governmental obligations may throw some light on this subject. These obligations, on the basis of the latest figures available, are something over \$4,000,000,000. The annual interest charges are roughly \$225,000,000 and amortization and bond redemptions, according to our governmental estimates, \$132,000,000. This gives a total of \$357,000,000 a year for complete servicing of these governmental obligations. If these payments could be done away with for a reasonable time, say two years, there would be little if anything in the international payment situation to prevent the currencies in these countries from at least approaching par as compared with the dollar. This would not only prevent the waste of national resources now going on in Latin America in the effort to provide foreign exchange for the servicing of foreign obligations of all sorts but should have an effect upon the market values of Latin American bonds which is worth considering. What this effect would be, can be deduced from the course of Latin American bond prices during the month of July.

A rather rough calculation shows that the announcement of President Hoover's plan for a moratorium on intergovernmental debts in Europe,—a purely collateral matter so far as Latin America is concerned,—resulted in the value of Latin American securities of over \$525,000,000, which appreciation was lost when the market discounted the effect of the moratorium on business generally and Latin American conditions persisted.

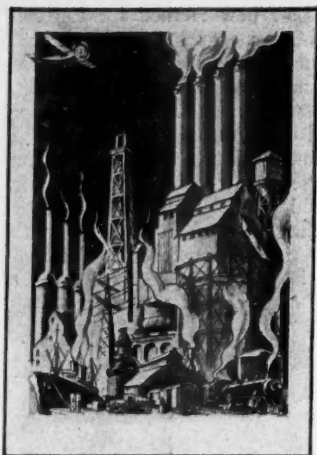
It seems not too much to infer that
(Please turn to page 170)



Nesmith Photo

Air Routes Conquer the Impasses of the Andes

for NOVEMBER 28, 1931



Final Stages

Brush Aside Financial Clouds
for a Clear View of Industry

FINANCIAL cataclysms, both foreign and domestic, have given a blue tint to the world's glasses. Bank failures,

money hoarding, taxes, gold movements, depreciated currencies, reparations and international debts generally have given us a distorted view of the business picture—the picture of trade and industry, which after all is the foundation of this complex thing we call business. This is not to deny that a certain trepidation is justified by the dire possibilities contained in matters financial, but it does not warrant utter blindness to the many readjustments which have been made in industry itself.

It is a peculiarity of depression that the sorest spots are not only given the greatest attention, but that they are in the public eye to the exclusion of all else. The reverse is true of prosperity. The sun shines and any dark clouds on the horizon are ignored completely.

Changing Aspects of Depression

When the present disastrous period of history first set in, it was a Wall Street panic and no more. Business was fundamentally sound, as everyone from Mr. Hoover down told us. All we had to do was spend normally—that is, at the rate considered normal in 1929—and nothing untoward would occur. Excellent advice if it had not been impossible.

The next phase was a drastic curtailment in productive activity and we flattered ourselves that this was to be a depression, different from all others inasmuch as it was to be free from financial stress. What optimism! Financial difficulties now obtrude themselves above all our other troubles.

In fact, so much do they dominate the situation that in order to obtain a proper perspective of the true position of industry, it is necessary to remember these phases in the chronological order, for that is the sequence of adjustment. Stock prices have been undergoing deflation for more than two solid years and based upon all precedent and simple arithmetic the worst of the decline has been seen. Industry has been undergoing the same process on a drastic scale for a slightly shorter period of time and in this case there is ample evidence of the very real internal readjustments which have been made. Matters financial are still in the midst of readjustment. They hold the center of the stage and for this reason the whole scene breathes an untrue atmosphere of darkness.

Suppose we attempt to divorce industry from finance. This is admittedly a task bordering on the impossible, for the two are components of one complex mechanism. Nevertheless, it is worth the attempt for what it will contribute

to a better understanding of the present business situation.

Imagine a machine, vast, unwieldy, intricate and temperamental. It works day and night, year in and year out, spewing forth in greater or less quantities all the comforts and necessities of life. So large and complicated is it, that it has been necessary to devise an auxiliary whose sole purpose is lubrication. The machine itself is Industry and the oiling system Finance.

It will be quite easily seen that some section of the plant may get out of order through no fault of the oiling system, or that some defect in the latter will result in decreased efficiency of the machine proper. But—and this is the important point—the plant will continue to function, although the performance may be very indifferent, regardless of what may happen to the oiling system.

At the present time the plant is obviously not working as it should, and looking back it is difficult to say which—the machine proper or its lubrication auxiliary—first commenced to get out of order. A few years ago products were being ground-out at what is now known to have been an excessive pace and the supply of oil valiantly kept up with the spinning wheels. Indeed, so well did the latter function that it is contended by many that this, in itself, was responsible for a large part of the acceleration.

Suddenly, however, something went wrong. At the same time as the machine commenced to run down, the lubricating engineers developed an economy complex and cut the supply of oil. Perhaps their stocks on hand had become alarmingly small. At any rate the slower the machine the less oil it was given—and the resultant breakdown is now common knowledge.

Despite the disaster, however, the plant is not shut down. It still operates and turns out a surprisingly large quantity of goods. Moreover, the most badly worn parts have been set upon by an army of workmen and the machine has been largely rebuilt during the last two years. It is "rarin' to go," but the owners as well as the consumers of the machine's output persist in seeing only the clogged oil lines and seeing the clogged oil lines view the whole plant as in a deplorable state. This is foolish, for they have already paid the greater part of their cyclic repair bill—that dealing with the repairing of the machine proper.

Adjusted to Conditions

Abandoning the metaphor, let us examine more specifically the manner in which industry has been adjusted. That material progress has been made, is evidenced by the increasingly large number of companies which are now operating at a profit though on a scale of prices which in the past would have meant bankruptcy. Furthermore there is an even larger number which, although they may not be making money at the moment, would do so immediately a slight increase in volume was obtained. Indeed, so generally successful have

es of Depression

By HENRY RICHMOND, JR.

been the efforts to reduce costs that a very strong case could be made for a theory that civilization advances further and faster during times of depression than during a time of prosperity.

As matters now stand, industrial dead wood of all sorts has been chopped out. The lazy and inefficient worker is no longer on the payroll. He has either been dispensed with altogether, or his place has been taken by a better man. An excellent case in point is the experience of a well-known chemical manufacturing business which actually raised wages recently and by selecting the most desirable applicants obtained workers of so high a caliber that considerably more than the increase in the payroll was saved by the resulting increase in production at lower unit cost. Moreover, it might be noted that these advantages were attained without increasing the number of unemployed.

Obsolete machinery has been rather generally scrapped and more modern equipment substituted therefor in many industries. New machines have been perfected to do that which was previously done by hand. The greatest increase in efficiency, however, has probably taken place in the field of intangibles. Much duplication of effort has been eliminated, accounting systems simplified and considerable progress made in curtailing that terrific item, distribution expense.

As showing what may be done when the distribution problem is tackled intelligently there is the case of a coal and ice concern operating in a town in the Middle West. About a year ago the town was served in a rather haphazard way by three individuals, who competed bitterly with each other in all parts of the town. They merged. Now each coal yard and ice plant serves only the territory in its immediate vicinity, a tremendous amount of hauling has been eliminated and each of the partners is drawing more money from the business than ever he did when operating independently, despite the fact that prices have been reduced and the volume of business has been lowered by depression.

Inventories and Wages

Other mile-stones marking industry's progress along the road of readjustment include inventories and wages.

Tremendous losses have been sustained by the drastic recession in commodity prices. In many cases these losses have been solely responsible for deficits and the consequent reduction of dividends which has reacted to aggravate the whole depression. Now, however, most commodities are in a position similar to many stocks. It is perfectly obvious that the greater part of the decline has been seen, for the impassable barrier "Zero" is not much further along the downward slope. Speaking in the most conservatively possible manner, it may be said that, although industry may be obliged to absorb further inventory loss, such adjustments cannot

be in the future as great as those absorbed in the past. Specifically, the oil and rubber industries are among those which now probably have less to fear from their inventories than ever before.

Wages, at the present time, are well advanced in process of deflation. Starting with the white collar worker, the movement has gained momentum until there is barely a class which still has to experience it. One of the strongest citadels of wages, represented by the extremely powerful and well-organized railroad brotherhoods, is now tottering. While it may be, as some contend, that the reduction of wages resulting in decreased purchasing power deals a further blow to long-suffering industry, always in the past the universal deflation of wages has been a sign marking the last phase of depression.

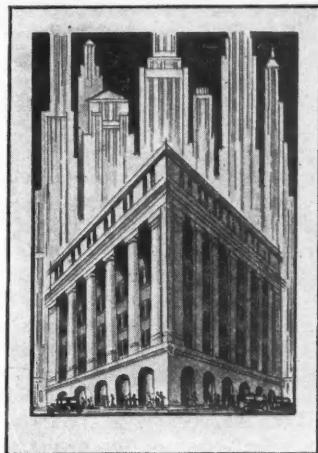
Industry's internal readjustments augur well for the future, but unfortunately this is only half the story. What of the externals, the principal of which is demand? Should the weight of evidence indicate that this is likely to dwindle still further in the majority of our important industries, then the readjustments of which we may be justly proud will lose much of their significance. On the other hand, if it can be shown that the demand is about as low as it is likely to go, it follows that the gain in industrial efficiency means the scaling of new heights in the future.

A Replacement Basis

While there is no scientific justification for saying that the total demands of our people have reached a minimum at this or that point, it is true nevertheless in practice that the lowering of a nation's standard of living meets increasing resistance as the movement develops. We, as a nation, now believe that we are foregoing as much as it is possible to forego and to deprive us of any further material comfort is almost certain to meet effective objection, for it would mean a very definite retrogression in our civilization instead of no more than a severe, albeit not unprecedented, depression.

This is to say that the country is now on a "replacement" basis. It must of necessity have a certain amount of food, clothing, housing space and transportation facilities if it is not to sink beyond the bounds of mere business slump. Taking a number of specific industries it can be seen how resistance to further decline has developed in recent months. Indeed, some few of them actually have shown a gain; insignificant it is true, but a gain for all that.

The steel industry operating well under 30 per cent of
(Please turn to page 171)



Steel Must Turn to Salesmanship

Passive Policy of Accepting Business Must Give Way to Aggressive Development of New Markets If the Industry Is to Profitably Employ Its Huge and Growing Capacity

By EDGAR T. BRAINERD

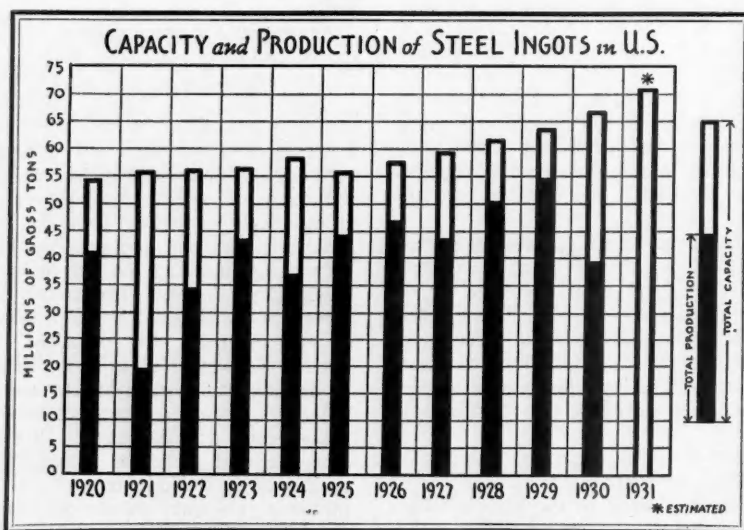
PRODUCING activity of the steel industry has expanded moderately from the virtually irreducible minimum of October and, whether the movement is maintained during the remaining weeks of the year or not, additional and more significant improvement logically can be forecast for the early months of 1932.

This, in short, is the near-term steel outlook. It is of great interest to general business, which traditionally regards the ebb and flow of steel volume as one of the most reliable indices of the economic trend. It is possible that steel is now signalling a basic change for the better in that trend. But what general business revival will mean for the steel industry itself is not so clear.

Such increased demand as has developed thus far can do little more than put a mild dent in continuing losses. Normal seasonal improvement next spring may lift operations of some companies out of the red but not very far into the black. Substantial post-depression recovery in steel profits has always been slow and will be so again, probably slower, indeed, than in the years following 1921 for the world-wide demand for expansion is non-existent.

The Long Range View

It is not the general business prospect of the next few years, however, that is of chief concern to steel. The industry undoubtedly would be content to repeat the former course of slow cyclical recovery proportionate to the degree of general economic revival. The vital question is whether steel has reached a significant evolution in its own position; whether satisfactory profits in coming years are to be increasingly difficult of attainment because of problems purely internal to the industry.



The latter question is of supreme importance to the investor. In the past it has always been possible for him to profit handsomely by timely adjustment of security purchases and sales to steel's familiar "Prince and Pauper" cycles. Earnings of the industry as a whole have risen and fallen in close accord with the external factor of volume of demand.

It is to be doubted that this simple sequence will continue indefinitely. Over a period of years, demand will certainly be sustained and eventually will no doubt reach higher levels than any previously known, but will it be as easy as it has been in the past for the average steel company to expand its profits in proportion to any such normal gain in consumption as we may reasonably expect?

In this respect the picture is less reassuring. To fall back upon the familiar reminder that steel is the most basic of our industries contributes little to solution of the problem. Coal and textiles likewise are basic industries. Demand for these products has not disappeared but even in good years the two industries earn relatively little. They have reached a competitive impasse in which costly over-capacity for production is the rule. It is obvious, therefore, that sustained consumption is not enough to assure profitable employment of capital.

Low Cost and Mass Production

In steel the road to profit has never been smooth. From the start the industry, due to the inherent characteristics of its product, has concentrated its effort upon increasingly efficient mass production and low cost. It has located its plants to the greatest possible advantage in relation to, first, the sources of raw material supply and, second, the sources

of demand for the finished product. Adjustments in this policy in recent years and at present are influenced more by location of markets than by location of raw materials, the chief of which are iron ore, coal and limestone.

The fundamental purpose of this policy is to lower the costs of transportation. The importance of this factor in relation to the total cost of steel is obvious, for the product is both bulky and heavy, making for expensive transportation, and yet its appeal to a mass market rests upon the fact that it is made to sell at an average of less than 2 cents a pound.

Low Capital Return

In considering the future, we must face the fact that even under relatively favorable business conditions a comparatively low rate of return upon invested capital and a slow turnover of that capital are apparently inherent characteristics of the steel industry. For example, net profit upon the capital invested in the industry is estimated to have been only 10 per cent in 1929, although at times during that fat year productive facilities were taxed to the utmost and the total output set a new high record at 54,850,000 tons. This year there will be no profit. In average years a return of around 5 or 6 per cent has been about all the industry could show.

On the basis of this record, there is scant reason to anticipate any dynamic improvement in the trend of steel earnings. On the contrary, the existing demonstrated limitations upon earning power raise a question as to whether, without drastic changes in manufacturing and selling policies, any future change in trend may not be in the direction of still more narrow profit limitations; and whether steel in the longer future may not face the threat of an internal, competitive stagnation such as has swept over other of the older industries.

A straw in the wind is the fact that productive capacity long has tended to run far ahead of actual consuming demand. By the close of 1929 ingot capacity for the country amounted to 63,067,546 tons, or well in excess of that year's consumption of 54,850,000 tons of steel. Few will dispute the assumption that a considerable period of time must elapse—possibly five years—before the industry again faces a demand above that of 1929. Yet in this very period of depression expansion of capacity has been pushed at an accelerated pace.

Capacity at the end of 1930 had been shoved up to 66,897,096 tons and, with the completion of construction now in progress or planned, the year 1932 will have a productive capacity in excess of 70,000,000 tons. This is a volume of steel approximately 27 per cent larger than was sold in 1929. In arriving at such potential production, capacity has been expanded during the last three years at a rate of, roughly, 3,000,000 tons per year.

Yet the industry is under no illusion that consumption may be expected to have a normal increase of 3,000,000 tons a year. It is to be doubted that much more than an average gain of 1,500,000 tons a year could be counted upon. In the ten-year period 1911-1920 the average annual gain in demand was approximately 1,700,000 tons. This period included the war and immediate post-war booms. In the highly prosperous years from 1923 through 1929 the average annual gain in consumption was approximately 1,600,000 tons. There is reason to regard this seven-year period as unusually favorable, particularly in the new impetus given steel by the remarkable development of the automobile industry.

If the consumption outlook is no better than seems apparent in the next few years, why is the industry pouring millions into enlarged plant facilities? Why is it expanding capacity even faster than was done in boom years? To some extent, of course, the low costs of construction available in depression justify the industry in providing for future needs with prudent thrift, but this factor plainly does not tell the story, for the point at which maximum profit can be derived from full operation of facilities is being pushed further and further into a vague future. Moreover, it is to be doubted that future costs of plant construction will be importantly in excess of those now prevailing. In any event, any saving in costs must be set off against the heavy loss of return upon capital invested in surplus facilities.

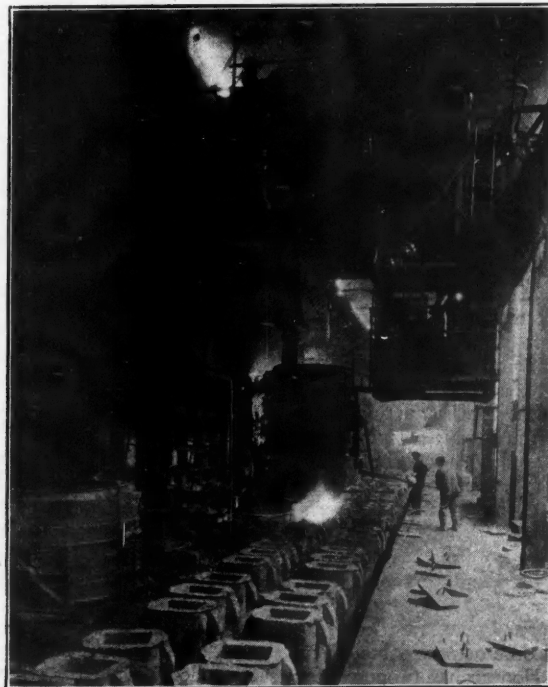
Competitive Forces

The essential fact is that the present rapid expansion of facilities is a matter of individual self-defense dictated by intensive competition. It is to be doubted that any steel company is interested in an expansion of its total capacity per se. It is concerned with expanding the individual capacity of this or that plant or in establishing new plants in this or that territory as determined by the needs of competition and the strategy of other companies.

If one producer builds a plant or buys one in California his nearest rival will soon follow. If one tightens his grasp in the field of structural steel, another will launch forth in counter-attack. If one sets up an integrated plant to serve the motor industry in Detroit, the rest of the pack will be upon his heels.

All of which ties up a mounting total of capital and offers but doubtful promise of justifying itself in increased profits within any reasonable period. To some extent, of course, the newer facilities lower costs of production but, although one hesitates to forecast any limit to engineering and scientific ingenuity, the fact is that skill along these lines already is rather standardized. The tendency is for no company long to maintain any real advantage in its costs.

With steel already at 2
(Please turn to page 168)



Courtesy General Electric

War and Trade

The so-called war between Japan and China, given exaggerated emphasis in the press, is seized upon in some speculative quarters as a hopeful economic factor. The theory seems to be that we will sell supplies to the warring nations and that the resulting business plum will be particularly fat if Russia is drawn into the fight. This fancy, rather than oriental purchases actually made for war purposes, undoubtedly has played a part in the recent fluctuations of our wheat market.

In principle, the extensions of Japanese control in Manchuria is no more a war than it is war when American marines used armed force in Nicaragua for the basic purpose of protecting American economic interests in that country. Nor, due to the inherent weakness of the Chinese Government, is it likely to develop into a real war. China's most effective weapon is that of the economic boycott, successfully used on several occasions in the past. Although by no means spectacular, this will worry Japan far more than any movement of Chinese armies.

Thus far, neither Russia nor Japan shows any very great desire to get at each other's throat. Geography is the most important factor in warfare. If ever there is a capitalistic war against Russia, it is likely to be launched from the European frontier in summer time. The bleak wastes of Siberia, inadequately served by a single decrepit railroad, constitute as poor an arena for modern war as can be found on the face of the earth.

Borrowing and More Borrowing

Senator Norris of Nebraska, dean of the Progressives in the United States Senate, well says that the trouble with much of the farm relief program of recent years is that it got the farmers into debt. What they need is to get out of debt. Abundant facilities were supplied by the state and Federal governments for borrowing but not much was done for paying debts.

The Senator may have some ideas for liquidating debts that conservatives will disagree with, but his principle that prosperity is based on getting out of debt is sound as a nut. We had a sham prosperity of the borrowing kind for a number of years, and individuals, corporations and governments ran up such appalling totals of debts that the economic structure may never be able to function smoothly again until there has been a great amount of repudiation, or whatever pretty name you give it.

The debt habit has become so fixed that even now the common remedy for old debts is a dose of new debts. Virtually every plan that President Hoover has proposed for economic relief calls for new debts of some kind. To shift



Acme Photo

Things To

a frozen credit from one holder to another does not melt it. Somebody still has to bear the burden and pay the bill. It is true that the President is now making a heroic effort to cut the Federal budget to the bone but it remains to be seen whether he has the nerve to demand a taxation program that will complete the balancing of the budget. Even if he has, the chances are that Congress will not respond courageously. And if it does it will probably pile up fresh debts for future trouble making. The debt habit is as tenacious and as ruinous as addiction to narcotics.

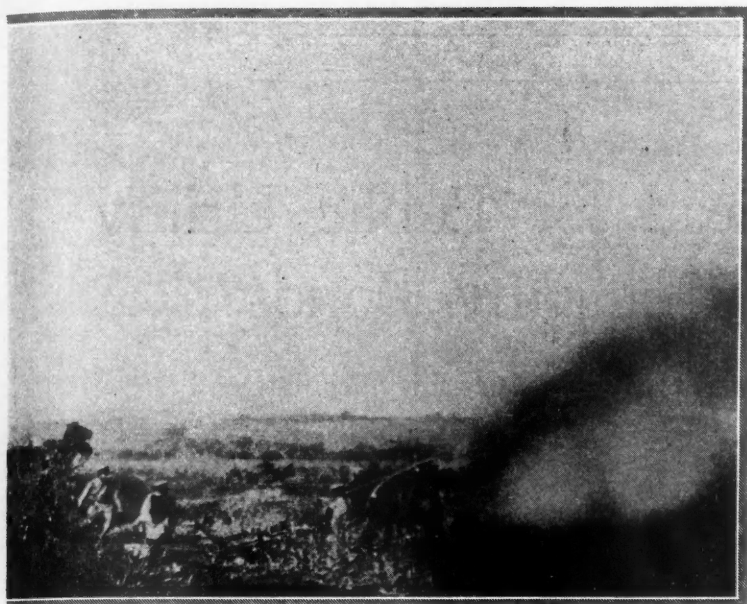
Foreign Prosperity at American Expense

A great New York merchant takes pages of advertising to tell the public about his extensive new facilities in Paris to manufacture and purchase French goods which he will hand to his customers and then send their money to France. It is not unlikely that at the same time he is affiliated with some drive to urge the American people to buy at home. It is certain that he would furiously oppose a proposal that his customers should send their orders directly to Paris stores. It is more than likely that he complains bitterly when he learns that a customer has returned from Paris with trunkfuls of Parisian gowns.

The Prince of Wales has just made a radio appeal to the British public to buy nothing of foreign origin except what is not made at home. Every other nation is doing everything within its power to restrict imports that compete with home-made goods. By such means Germany has turned the balance of trade in her favor. But our shops are full of foreign goods, generally inferior to the home-made article but cheaper—cheaper because made by cheap and low-standard labor. And seven million unemployed wretchedly walk the streets.

We would not be surprised if our merchant friend is

THE MAGAZINE OF WALL STREET



Bureau report of the Department of Commerce. This reveals that approximately 10 per cent of the country's retail stores are chain stores and that they do 21½ per cent of the total retail business. It is of particular interest to note that the example of the large national chain has been widely followed by local chains. There are 321 national chains, with annual sales of \$4,804,754,988, but local chains, with stores in and around one city, number 5,589 and their sales total \$3,547,358,285. Sectional chains number 1,136, with total sales of \$2,419,890,761. Local and sectional chains thus command a substantially larger share of the business than the much criticized and heavily taxed national organizations.

Think About

talking in favor of a downward revision of the tariff as a means of restoring prosperity.

Poor Advice to Banks

Country bankers complain that bank examiners discriminate against them in the matter of their collateral. A Minnesota national bank president writes that the examiners compelled him over a long period to get rid of his chattel mortgage loans. He was advised to replace them with bonds as being more liquid and also more secure. He followed instructions and now finds that he is taking losses on his bonds and that the best assets he has in the bank are his chattel loans to farmers. They are secure and quickly collectable at maturity. Moreover, they are the kind of paper that he ought to take to serve the nature of the business of his agricultural community. By following the instructions of the examiners his bank is losing business and profits and is failing to serve the business needs of the community—without gaining liquidity of any importance. This is not so surprising when one considers that the country banker was forced from a field with which he was thoroughly conversant to one much less familiar. His bond selections when not of the best grade and no doubt largely based on the importuning of salesman. Perhaps this is one reason for the high mortality among banks in rural sections.

The Chain Store Giant

The vast development of the chain store and its penetration into local markets have long been subjects of agitation, leading in various states to the adoption of punitive tax laws. Until recently, however, consideration of the matter has had to be confined largely to generalities, for reliable statistics were missing. Now, for the first time, an abundance of information has been made available in a Census

Britain's Tariffs

Britain is off free trade with a vengeance and a 50 per cent tariff stares the American exporter in the face. Countervailing duties which we may invoke will be of small consequence; for the articles which Britain has barred such as typewriters, toilet articles, metal furniture, household equipment, etc., are not imported by us at all. We stand to lose the better part of an annual trade of 12 million dollars. Some observers and newspaper economists have called attention to our factories in Canada and even in the British Isles but these are not of tremendous importance. True, their business may be stimulated and a portion of their profits flow back to American investors but they are nevertheless competitors in business volume with home industry. Their activity does not relieve our unemployment. We have relieved another challenge to lower costs and another vigorous urge to develop new markets.

New Industries

For two years television has been "just around the corner," without actually emerging from the laboratory. Now, it appears ready to step forth and battle for profits as our newest industry. Produced at the Radio-Victor plant, a home television receiver of moderate price is soon to be introduced. It is expected that the Philco subsidiary of the Philadelphia Storage Battery Co. also will soon offer a television receiver. Other manufacturers undoubtedly will jump into the race. Like mechanical refrigeration, this baby industry may contribute a mildly stimulating impulse to general business. Unfortunately, however, neither of the new industries appears broad enough in scope to materially affect the existing business structure. Prosperity awaits the invention of another industrial success like the automobile.



What is Ahead for Public Utility Holding Company Bonds?

Low Prices Reveal Many Issues in Speculative Position—Earnings Position, However, Generally Secure

By RONALD P. HARTWELL

THE extreme low levels to which public utility holding company bonds have slumped in recent months has shaken investor confidence in this type of issue. Prices of bonds in this group have dropped so sharply that the question can now seriously be raised concerning their safety, and the ability of the issuing companies to meet the interest requirements. The thin markets and the sharp fluctuations which have characterized many of these issues places them definitely in the speculative class at the present time. What is the true status of these bonds? Are they currently on the bargain counter giving fair promise of recovering in price to their original levels when conditions again approach nor-

mal and the present market hysteria is over?

Public utility holding company bonds are practically all unsecured debentures or obligations indicating merely the company's promise to pay the principal some time in the future, but they are not backed by a mortgage on property. In some few instances there may be collateral in the form of stocks of some of the intermediary or of the subsidiary operating companies pledged as security towards the bond. As obligations of the holding company, therefore, the bonds occupy a junior position in the heavy capitalization schemes of the utility system, ranking after the operating company and intermediary company bonds and preferred stocks which

are now outstanding in the hands of the public.

The unsecured nature of public utility holding company obligations and their junior standing naturally place them in a weak position during a period of depression. A shrinkage in earnings affects the coverage on the junior issues more severely than on the underlying bonds. To begin with, the margin of safety is much smaller.

The earnings of the public utility companies, however, have been remarkably stable on the whole and so far the position of most holding company bonds still seems secure. There is, nevertheless, the threat of lower earnings in the future, which may come as a result of a concerted effort to force reductions

The Earnings Position of Public Utility Holding Company Bonds

Name of Issue	Gross Revenues	Net Available for Interest, etc.	% of Gross	Interest and Underlying Charges	Times Earned	Price Range 1931 High Low	Recent Price	Yield
American & Foreign Power 5, 2030.....	73,578,434(6)	36,656,000(e) (d)	49.8%	12,999,249	2.82	86 46	57	8.8
American Power & Lt. 6, 2016.....	85,337,092(6)	41,622,000(e) (d)	48.7%	25,790,000	1.61	108 80	85	7.1
American Waterworks & Elec. 6, 1975...	51,293,633(3)	20,700,000(e)	40.4%	15,700,000	1.32	106½ 78	87	6.9
Associated Gas & Elec. 4½, 1933.....	84,277,336(3)	40,090,183	47.6%	22,496,023	1.78	73 36	64	8.0
Cities Service Power & Lt. 5½, 1932.....	57,164,214(6)	22,822,000	39.9%	15,026,000	1.52	84 59½	68	9.2
Electric Power & Lt. 5, 2030.....	83,597,850(6)	37,461,828	44.8%	26,746,452	1.41	90 60	64	7.8
Illinois Power & Lt. 5½, 1937.....	36,111,076(6)	14,347,118	39.8%	7,903,694	1.82	94¼ 70%	76	7.8
International Hydro-Elec. 6, 1944.....	47,008,366(6)	24,727,434	52.5%	19,590,174	1.26	96 50	68	11.8
International Tel. & Tel. 4½, 1939.....	47,968,223 (6 mos.)	10,374,690	21.6%	4,934,396	2.10	93¼ 40½	64	8.4
Middle West Util. 5, 1935.....	182,213,975(1)	74,171,671	40.6%	55,827,413	1.33	97½ 60	73	14.0
National Power & Lt. 5, 2030 B.....	78,823,376(6)	30,452,186	38.7%	19,734,818	1.54	93 69	71	7.0
North American Co. 5, 1961.....	121,827,965(6)	51,135,504	42.0%	24,950,464	2.05	102 83	91	6.7
Standard Gas & Elec. 6, 1937.....	167,009,104(6)	80,022,725	48.1%	62,309,836	1.29	101½ 81	79	7.9
United Lt. & Eys. 5½, 1932.....	82,473,169(1)	28,163,158	34.1%	15,323,059	1.84	92 68	72	8.3

(6) 12 mos. ended Aug. 31, 1931. (5) 12 mos. ended June 30, 1931. (1) Year ended Dec. 31, 1930. (3) 12 mos. ended Sept. 30, 1931.
(e) Estimated. (d) Depreciation figured at 6.5% of gross operating revenues.

in the rate schedules to a point where earnings are seriously jeopardized, or by a dropping off in business. Price recovery, therefore, may be slow.

The essential nature of electricity and gas in the industrial, commercial and home life of the country is a well-known feature of the industry. Proof of this is afforded in the remarkable manner in which output of both of these services has been maintained at high levels even during the present year while most other types of enterprise have been more or less seriously affected. General business activity is currently reported at approximately 28% to 30% below normal, yet production of electric energy is running only some 4% to 5% below the peak levels attained in the years 1929 and 1930.

When business begins to recover, the utility companies have good inherent prospects for showing rapid gains in output. This will come about largely as the result of recovery in the industrial division where the decline in sales has been extensive. Declining manufacturing activity, indeed, has caused a decrease of approximately 11½% in the industrial consumption of electric current in the first half of 1931, as compared with the corresponding period of 1930 and a decline of 15% when compared with the first half of 1929. This loss in the industrial division has been largely offset so far by gains in the commercial and residential divisions. Commercial consumption of electricity, for instance, in the first half of 1931 gained 3½% over 1930 and 14% over 1929, while in the residential or domestic division the gains were respectively 9% and 20%.

From a revenue standpoint, the residential market is now the most important one for the public utility companies, producing approximately 33½% of the total gross revenues in 1930, although consuming only 14.3% of the total current generated. The industrial division accounted for 30% of the revenues but for 57.1% of the output; the commercial market for 29½% of the revenues and 19.1% of the output, and miscellaneous consumers for 7% of the revenues and 9.5% of the output.

The gas branch of the industry has shown much the same trend as the electric branch. The rapid increase in gas refrigerators and househeating equipment has benefited the residential business, while gas for industrial purposes has fallen off with the decline in manufacturing activity throughout the country. Natural gas has felt the effects of the latter much more severely than manufactured gas.

(Please turn to page 164)

for NOVEMBER 28, 1931

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue in the list is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revision as more favorable issues appear and those no longer suitable, in our opinion, for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Total Funded Debt (millions)	Amount of this issue	Interest*		Recent Price	Yield to Maturity
			1930	Est. 1931		
Norfolk & Western 1st Consol. 4s, 1906.....	112	41	7.5	5.4	93½	4.3
Union Pacific 1st 4s, 1947.....	360	100	3.5	2.5	95	4.4
Atchafalpa, Top. & Santa Fe Gen'l 4s, 1905.....	311	152	3.9	3.3	92	4.4
Pennsylvania Consol. 4s, 1948.....	607	20	1.9	1.2	91½	4.8
Northern Pacific Prior Lien 4s, 1907.....	313	107	2.2	1.2	84	4.9
Baltimore & Ohio First 4s, 1948.....	604	82	1.7	1.2	88	5.0
Missouri-Kansas-Texas 1st 4s, 1900.....	107	31	2.8	1.2	77	5.3
N. Y., N. Haven & Hartford Ref. 4½s, 1907.....	258	31	2.0	1.4	77	6.0
Kansas City Southern 1st 3s, 1950.....	65	30	1.5	1.2	65	6.2
Baltimore & Ohio Ref. 6s, 1907.....	604	35	1.7	1.2	92	6.5
Northern Pacific Ref. & Imp. 6s, 2047.....	313	107	2.2	1.2	92	6.5
Great Northern Gen'l "A" 7s, 1936.....	355	106	2.0	1.2	102	6.5

Public Utilities

				Call Price	Recent Price	Yield to Maturity
N. Y. Telephone Gen'l 4½s, 1939.....	61	61	3.8	110	102	4.2
Duquesne Light 1st 4½s, 1907.....	65	65	6.7	104½	101½	4.4
American Telephone Coll. Trust 5s, 1946.....	462	68	6.1	105	105½	4.4
Phila. Electric 1st Ln. & Ref. 4½s, 1907.....	166	34	3.1	105	100	4.5
Detroit Edison Gen'l & Ref. 4½s, 1961.....	129	50	2.9	103½	98	4.6
Cincinnati Gas & Elec. 1st 4s, 1968.....	35	35	5.3	106	89	4.6
Illinois Bell Telephone 1st & Ref. 5s, 1956....	57	49	4.8	105	105	4.6
Westchester Lighting 1st 5s, 1950.....	22	9	3.1	NC	104	4.7
Pacific Gas & Elec. Gen'l & Ref. 5s, 1942....	311	36	2.4	105	102	4.8
Union El. Lt. & Power Co. Gen'l "B" 5s, 1907.....	82	25	2.9	104½	101½	4.9
N. Y. Power & Light 1st 4½s, 1907.....	67	66	2.8	105	93½	4.9
Pennsylvania Pwr. & Lt. 1st 4½s, 1981.....	131	121	2.7	105	92½	4.9
Denver Gas & Elec. 1st & Ref. 5s, 1961.....	46	9	2.3	105	99	5.1
Northern States Pwr. 1st & Ref. "B" 6s, '41.....	100	8	3.3	105	104	5.5

Industrials

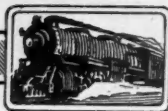
Procter & Gamble Debenture 4½s, 1947.....	11	11	55.0	105	101	4.4
Standard Oil of N. J. Deb. 5s, 1946.....	109	120	7.4	102	102	4.8
Western Electric Debenture 5s, 1944.....	35	35	4.3	105	101	4.9
Bethlehem Steel 1st & Ref. 5s, 1942.....	118	13	4.3	105	100	5.0
Swift & Co. First 5s, 1944.....	59	23	3.7	102½	102½	5.2
Goodyear Tire & Rubber 1st & Coll. 5s, 1907.....	63	56	2.8	103	83	6.3

Short Terms

Name	Due Date	Amount of this Issue (Millions)	Price	Yield		
				Call	Market	Income Maturity Basis Basis
Union Elec. Lt. & Power Ref. & Ext.....	5/1/33	6.2	NC	101	4.9	3.9
N. Y. & Erie 3rd Ext. 4½s	3/1/33	2.5	NC	101	4.4	3.7
Detroit Edison 1st & Coll. 5s	1/1/33	10.0	NC	101½	4.9	3.5
Cleve., Lorain & Wheeling Consol. 1st 5s.....	10/1/33	5.0	NC	99	5.0	5.0
Norfolk & Western Imp. & Ext. 6s.....	2/1/34	2.0	NC	104	5.7	4.1
Corn Products Refining 1st 5s.....	5/1/34	1.8	105	103	4.8	3.7
N. Y., Penna. & Ohio Prior Lien 4½s.....	3/1/35	5.0	NC	100	4.5	4.5
Bethlehem Steel Purchase Money 5s.....	7/1/36	22.3	105	100	5.0	5.0

* On total funded debt. NC—Not callable.

NOTE.—Our preferences in the above list, at present, are among the short term issues. The high grade long term bonds in the list will be subject to the possible adverse factor of higher money rates after December 15. Consequently, commitments in this class might well be postponed unless they are assumed for a period of years.



NEW YORK, NEW HAVEN & HARTFORD

It Has Recovered Before and
Can Do So Again

Able Management—Secure Position

By PIERCE H. FULTON

“WHERE will the New Haven come in?”

This query, frequently heard in financial circles recently was prompted largely by the failure of the executives of the eastern railroads to deal with the New England lines in the plan that they filed with the Interstate Commerce Commission on October 3 for placing the railroads of the United States east of the Mississippi and north of the Ohio River into four major systems. They made the Hudson River roughly the eastern boundary of the area with which they dealt, as they did in the statement to the Commission last January that they had reached an “agreement” on the essential features of such a plan. The only notable exception in each instance was to allocate Boston & Albany to New York Central, which it has held and operated under a lease that runs for 99 years from July 1, 1900. Hearing on this plan will begin early in January.

Geographically, the New Haven occupies a unique position. It has been spoken of often in railroad circles as essentially a “terminal proposition.” By this is meant that its main lines run only between New York and Boston a distance of a few hundred

miles, and that it has an unusually large proportion of passenger traffic. Of course it has many other lines covering the greater part of the southern half of New England.

The New Haven has gone through a variety of experiences. For several years, under the leadership of Charles S. Mellen, president, it was in a period of wild expansion. The main objective was to control all the transportation mediums in and along the coast of New England. The result was virtual bankruptcy, the actual calamity being averted only by the support of powerful bankers.

As is inevitable in such situations, there must be a period of reconstruction if the enterprise is to go on and return to even moderate prosperity. This second period began in 1913, when J. P. Morgan & Co. requested Howard

Elliott to leave the presidency of the Northern Pacific and assume a position with the same title, but with vastly different duties, on the New Haven. The latter was tottering financially, run down physically and in need of the most active, diplomatic and persistent leadership imaginable to bring it back to anything like a sound railroad.

Shortly after Mr. Elliott took up what proved to be a herculean task, and which all but broke his health, Col. W. P. Clough, then chairman of the Northern Pacific Railway, a close business associate of James J. Hill for many years, and an intimate friend of Mr. Elliott, made this characteristic and striking observation to the writer:

“If Howard keeps his health and his directors support him, he will restore friendly relations between the

New Haven and the public, between the railroad and the state commissions and the Interstate Commerce Commission, he will develop a better spirit among the officers and employees that will do away with the terrible wrecks that the New Haven has had in the last few years, he will eliminate waste and extravagance and put in effective economies.



© A. B. Street

“The Yankee Clipper” New Haven’s Crack Train

"After he has done all this the chief trouble with the New Haven will be that it still will have its name on too much paper."

Much of that "paper" was issued or guaranteed by the New Haven in connection with the acquisition of several steam railroads, still more trolley lines and a steamship property or two that Mr. Mellen was convinced he wanted to round out the ambitious and comprehensive transportation system of which he had dreamed.

That "paper" gave the New Haven management no end of trouble as it entered upon the reconstruction period. The Government demanded that several of the properties that had been bought be given up. The New Haven was glad to comply with these orders, in some instances at least, that it might get its name off some of the millions of "paper" on which it had been placed during the extravagant expansion period that immediately preceded.

Mr. Elliott did all the things that Col. Clough mentioned, even though his directors did not always give him the support that was his due. During the latter part of his administration, Edward J. Pearson was brought to the New Haven from the Texas & Pacific, succeeding Mr. Elliott as president, who became chairman of the board. Mr. Pearson was purely an operating man and wholly unfit temperamentally to do the wonderful harmonizing and reconstruction work that Mr. Elliott had accomplished. Mr. Pearson was able, however, to take the property that Mr. Elliott had restored, develop it physically and get gratifying operating results.

During all these years the New Haven was skillfully guided as to its big legal and financial problems by Edward G. Buckland, then vice-president and general counsel, now chairman of the board. He was equally efficient in the matter of public relations.

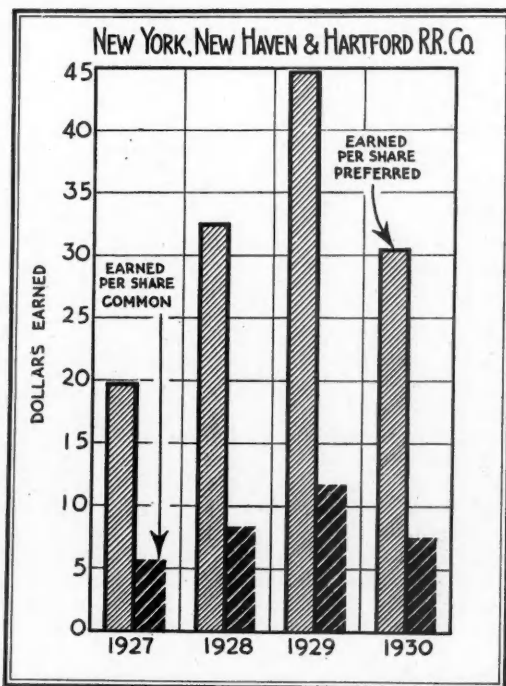
During the administration of Mr. Pearson the New Haven was restored to a point where it could not only earn a good return on its stock, but was able to begin the payment of dividends again, on which there had been no disbursements since 1913. It also was able to sell preferred stock on advantageous terms, to pay off old obligations, in short, to become a real railroad.

With the death of Mr. Pearson, John J. Pelley was asked to leave the

Central of Georgia Railway and to become president of the New Haven. This happened on March 1, 1929. Mr. Pelley thus directed the property during the latter part of the period of unusual prosperity that it and all the railroads of the United States experienced until November of that year. He likewise has gone through the period of severe depression that has befallen all the carriers, and from which they have not yet emerged.

In 1929 New Haven earned 11.72% on its common stock. This year it is doubtful if it earns 3%.

In order to fix the New Haven picture firmly in our minds and be the better able independently to decide what may be expected of it in the next few years, let us recapitulate a bit.



Charles S. Mellen all but wrecked the road by his wild expansion program. Howard Elliott restored it to a point where a good operating man could get real results. This was done by E. J. Pearson. John J. Pelley took the property for which these two men had performed those highly important tasks, and is running it as a normal railroad. Mr. Elliott was strong as a harmonizer and financier, not so good as an operator. Mr. Pearson was only the latter, Mr. Pelley is all three, and even more. As chairman of the committee of railroad presidents that formulated and presented the application of the railroads of the United States to the I. C. C. for a 15% increase in freight rates,

he showed that he knew how to lead men and handle big railroad problems.

And so in the New Haven of today we have a railroad occupying a unique section of the country. It is outstanding as an industrial area and likewise as a playground, both in winter and summer. Under the direction of Mr. Pelley the New Haven has kept fully abreast with the most recent developments in transportation, by co-ordinating with its steam and trolley lines, bus lines that now gridiron New England, and fleets of trucks for handling short haul freight traffic. He says the results are as satisfactory as could be expected under existing conditions.

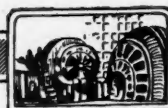
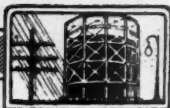
In looking to the New Haven of the immediate future, it should be borne in mind that the property has been restored by men especially fitted for the particular tasks that they were called upon to perform, and that now it is under the direction of a man who can be depended upon to meet and take advantage of all opportunities as business conditions in New England and in the country at large improve. Then its future depended primarily upon leaders. Now it depends upon conditions as well.

Just where the New Haven will "come in," either as an independent road, as head of a system of purely New England roads, or as part of the Pennsylvania system, no one can say at this time. In any event, it is bound to give a good account of itself and make a reasonable return for its stockholders.

Into the foregoing outline it is necessary to put only a few salient facts and figures to complete the picture. In 1930 New Haven operated 2,127 miles of line. As of June 30, 1931, it had 1,571,179 shares of common and 490,374 shares of preferred (both \$100 par value) outstanding. Funded debt as of the same date totaled \$257,825,474. Aggregate assets on September 30 were \$602,746,025 against \$600,014,413 on June 30. In 1930 New Haven had gross earnings of \$118,885,514 against \$142,458,670 in 1929. Net income was equal to \$7.33 a share on common stock against \$11.72 for 1929. These figures are sufficient to give an idea of the size and earning power of the New Haven.

Decreases in both gross and net earnings have continued so far this year and are certain to be extended during the balance of the fiscal period. Actual results have not been fully up

(Please turn to page 147)



DETROIT EDISON CO.

Diversity in Detroit Industries Fortifies Position

Operating Economies Improve Net Earnings

By RUSSEL TAYTE

DETROIT is the automobile capital of the United States and of the world. The manufacture of automobiles and of automobile equipment and accessories compose the major industries in Detroit and vicinity. But Detroit is more than just this. It is becoming more and more as time goes on a hub for general manufacturing activities of many kinds. Detroit, for instance, has the largest development of the alkali industries in the United States, and besides this, the city is a leader in the manufacture of pharmaceutical products, varnishes, stoves, steel stampings, aluminum castings, copper and brass plates and sheets.

The city possesses specific advantages for the location of manufacturing enterprises of certain types. It is the center of a large labor supply skilled in mechanical operations so essential to the economy of mass production. Its geographical location with respect to supplies of materials, transportation, and consuming markets is likewise in its favor. The prospects for the continuation of the trend whereby Detroit is rapidly becoming a huge general manufacturing center are excellent. And the diversification which comes with this development will benefit the city

from an economic viewpoint with the assurance of greater stability.

Large Industrial Business

The Detroit Edison Co. is one of the concerns which stands to profit most from the trend toward greater diversification in Detroit and its environs. The industrial electric load of this company is large because practically all the factories in the district use electric motive power, so that with a greater variety of industries located there, the greater will be the stability of its business. This industrial stability, moreover, will be supplemented by greater stability in the commercial and residential life of the territory with consequent benefit to the company's operations in these divisions.

The company does the entire electric

and industrial power business in Detroit and 22 nearby cities, as well as in 64 incorporated villages and 115 unincorporated communities and rural areas, all tributary to Detroit. The total population in this area, according to the 1930 census, is 2,279,169. All of the area served is in the state of Michigan. Besides Detroit, the cities include Ann Arbor, Brighton, Dearborn, East Detroit, Farmington, Ferndale, Hamtramck, Highland Park, Howell, Lincoln Park, Marine City, Marysville, Monroe, Mt. Clemens, Pleasant Ridge, Port Huron, River Rouge, Royal Oak, St. Clair, South Lyon, Yale, and Ypsilanti.

A large steam heating business is done in the business district of Detroit, where four large modern boiler plants supply the requirements of 1,832 customers. Gas is supplied for industrial and residential purposes to 11,413 customers in the cities of Port Huron, Marysville, St. Clair, Marine City and 7 villages.

Detroit Edison is predominantly an electric power and light company, this service producing approximately 94% of the total revenues. Steam revenues are about 5% of the total, while gas accounts for the other 1%.

The company operates four large steam electric power generating

Four Years With Detroit Edison Co.

	1928	1929	1930	12 mos. Sept. 30, '31
Gross Earnings—				
Electricity	\$49,383,439	\$53,306,488	\$50,538,889	\$47,616,169
Steam	2,542,358	2,889,764	2,669,974	2,403,996
Gas	350,419	414,906	454,302	467,957
Miscellaneous	90,121	47,720	63,760	53,110
Total Gross	\$52,366,336	\$56,556,278	\$53,706,926	\$50,541,232
Operating Exp. and Maint.	22,440,521	24,743,974	23,915,946	NF
Depreciation	6,850,000	7,400,000	6,900,000	NF
Taxes	5,110,000	5,436,000	5,750,000	NF
Balance	\$18,264,814	\$18,978,304	\$17,140,980	\$17,375,933
Operating Ratio	65.12%	66.44%	68.08%	65.68%
Net to Common	12,643,591	13,146,064	11,116,667	11,374,442
Earned per Share	12.24	11.16	8.75	8.95
Electric Output MK w.h.	2,438,305	2,654,901	2,384,529	NF
Number of Customers	554,148	599,886	554,441	NF

NF—Figures not available.

plants having a total capacity of 837,000 kilowatts, and seven small hydro plants on the Huron River with total capacity of 9,160 kilowatts. All power plants are connected with each other and with the territory served by a comprehensive system of transmission and distribution lines.

Temporarily Interrupted Earnings Trend

The remarkable development in the Detroit area has found reflection in the company's growth and earnings. The company was incorporated in 1903 and every year in its history until 1930 has it shown gross earnings greater than the previous year. The year 1930 was an exception when gross was about 5% less than in 1929. The year 1931 will prove another exception, with gross earnings probably some 7½% under 1930, but only about 3½% under 1928.

The chief reason for the drop in gross revenues during these two years is the lessened use of electric power in the large factories a development caused by curtailment in industrial activity due to the increasing intensity of the depression which the country has been experiencing during this period. Industrial power business in 1930 constituted about 15.2% of the total electric revenues produced, or slightly less than \$7,700,000. The drop in industrial power revenues in 1930 amounted to \$2,641,807 or 17.3% under the 1929 industrial revenues. The trend during 1931 probably continues moderately downward.

Diminished industrial business is paralleled by diminishing sales of electric energy to street and steam railways, but this latter in the aggregate is of less importance than the industrial business. It usually approximates one-tenth of the industrial load.

The severity of the business depression has caused a small reduction in the number of residential customers served in the urban area, but this is probably only a temporary development which will change when conditions improve. At the end of 1930 the company had 554,441 customers which was a drop of 15,245 from the number at the end

of 1929. In the country districts the number of customers increased.

Despite the drop in the number of customers, the residential electric business is showing decided gains. In 1930 an increase of \$614,636 over 1929 was reported. This trend is in common with that shown in the rest of the country and is the result of the steady increase in the use of electric appliances and equipment in the home. Detroit Edison reported the use of electric current per domestic customer in 1930 as 688 kilowatt hours against 641 in 1929.

Monthly earnings reports by Detroit Edison indicate that the company has not yet definitely turned the corner with respect to reversing the gradual down-trend in gross earnings which has set in since 1929 when peak earnings of \$56,558,278 were reported. In the recent reports, however, the decline has noticeably slowed down, indicating

for this latter period were only \$50,541,231 against gross of \$52,170,159 in the twelve months period ended February 28, 1931, while net to common was respectively \$11,374,442 and \$10,781,536.

Operating Economies

The reason for the increase in net despite declining gross earnings is found in the operating economies effected by the management and in lower maintenance and depreciation charges against property. During the past several years, the company has had under way a program of property improvement which involved heavy maintenance provisions, a large part of which were for actual equipment replacement. Depreciation and maintenance charges have come close to 19% of gross earnings annually. The

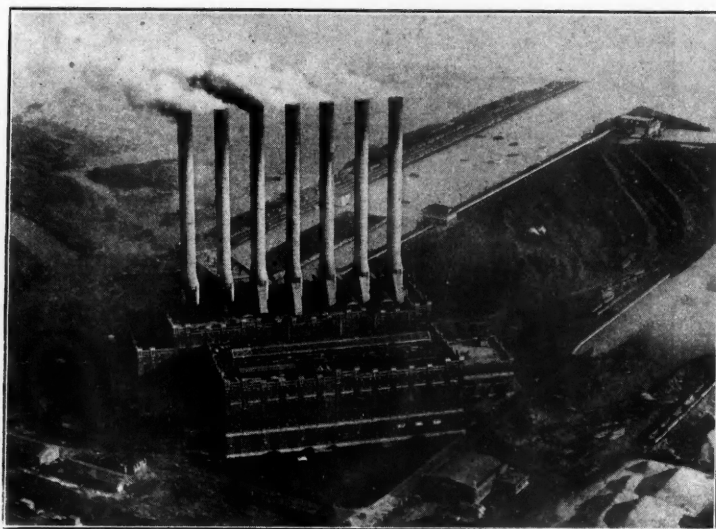
severe business depression has retarded normal growth of the company which in turn automatically slows up the replacement of facilities. Detroit Edison has generating capacity at the present time sufficient for two years of normal growth in its territory.

The common stock of the company carries a dividend of \$8 annually, which according to the most recent earnings reported is being covered by a margin of only 12%. The question of the continuance of this rate may logically be asked. At present

the answer appears in the affirmative because net earnings have been showing a gradual improvement in the past six months and also because the management has long followed conservative accounting practices which has fortified the company against periods such as the present.

Detroit Edison has a conservative capitalization, consisting of funded debt of \$118,116,600 and 1,270,833 shares of common stock of \$100 par value. The desirability of the company's territory from the standpoint of inclusion in the large holding companies is indicated by the fact that two of the largest holding company systems own considerable blocks of the common stock. North American Co. at the end of 1930 owned 243,363 shares or about

(Please turn to page 164)



Detroit Edison's Connor Creek Plant

that at least a condition of stability on a lower level is being approached. A revival of business activity in this country should find quick reflection in the Detroit area with consequent benefit to the operations of the company.

A significant development is the fact that net earnings in the past six months have been showing a rising trend, in face of the decline in gross earnings. For the twelve months ended February 28, 1931, for instance, the net per share on the common stock amounted to only \$8.48 having dropped steadily since the twelve months' period ended October 31, 1929 when per share earnings were \$12.71. Since February of 1931 net earnings have gradually improved and for the twelve months ended September 30, 1931, the per share earnings on the common were \$8.95. Gross earnings



Recovery Prospects Brighten for Oil

Improved Statistical Position Affords New Base for Come-Back — More Favorable Outlook for Securities

By JOHN C. CRESSWILL

HOPE stirs the oil industry.

Enthusiasts predict that it will lead the general business recovery.

A few days before a special train was due to leave Oklahoma for the recent annual meeting of the American Petroleum Institute in Chicago there were only three reservations. But with oil at 85 cents a barrel there came a quick outburst of interest, and when the train pulled out there were eighty persons in its seven sleepers. The convention was enthusiastic and optimistic. The general feeling was that the bitter days are over. The 5-and-10-cent-a-barrel days of last July seemed to be only a nightmare. It was the general sense of the meeting that only the enactment of a tariff on oils stands between the industry and complete recovery. The directors voted in favor of such a tariff, and the belief is widespread in the industry, that early in the coming session Congress will give it protection.

Governor Murray "Starts Something"

Governor "Bill" Murray of Oklahoma started the new era in the oil industry on July 28 when he threatened to shut down the oil wells and keep them shut until the price went to a dollar a barrel. The threat was without immediate results, and early in August the Governor assumed dictatorial powers, called out the National Guard and shut down all the wells in



Courtesy, Standard Oil of N. J.

the state except the strippers—wells with a production of not more than 25 barrels a day. To give an appearance of righteousness if not constitutionality to his course the Governor declared that such action was necessary to protect the school children of the state in their right to an education (dependent upon oil taxes), to conserve the natural resources of the state, to protect the rights of taxpayers in general in and to the revenues of such resources, to say nothing of the Fourteenth Amendment to the Constitution of the United States.

Right or wrong, the Governor was boss, and production in the flush Oklahoma City field fell from an average of 157,000 barrels a day in July to 24,000 in August.

On August 17, Governor Stirling of Texas followed suit and closed down the East Texas fields. The average daily production in those fields fell from 519,000 barrels in July to 460,000 in August. In the same

month there was a slight decline in California's oil production, and the total daily production of the United States declined by 308,000 barrels, or 12 per cent. Governor Murray held the fort until the price of oil reached 80 cents a barrel in Oklahoma. The shut-down in the East Texas fields was complete until September 5. Since then they have been operating on a restricted production basis which now stands at four barrels per acre of lease with a maximum of 400 barrels per hundred acres, and

of 150 barrels to a well.

By agreements between the governors of Oklahoma, Texas and Kansas, the daily quota of production of the respective states is now fixed at 902,000 barrels for Texas (of which East Texas is allowed 400,000 barrels), 546,000 for Oklahoma and 210,000 for Kansas.

A Five-Year Low

The total production of the United States for September was cut to 2,151,000 barrels a day, the lowest figure in more than five years. This compares with an estimate by the Economics Committee of the Federal Oil Conservation Board that a daily production of 2,379,000 barrels is required for the United States as a whole to meet consumption requirements during the last quarter of 1931 and the first half of 1932. This forecast is based on the assumption that imports of crude oil will offset exports and

that gasoline imports in 1932 will be 25% below 1930 levels. Crude oil imports are calculated at 90,000 barrels daily and gasoline imports at approximately 1,000,000 barrels a month.

On the face of the present status the control of crude oil production is well in hand.

Can Control Be Maintained?

How long and how well control can be maintained is another question but there is hope that the present rather precarious control, brought about by the three governors, supplemented by state and Federal control in California, may be superseded eventually by a formal treaty between the oil producing states, approved by Congress. Such an arrangement is recommended by Secretary of Commerce Lamont, and has the approval of the Federal Oil Conservation Board. Once a quota for the different states is fixed proration among different fields and wells within the states is merely a matter of state law and administration. The present compact between the three governors of the principal states of the Mid-Continent field is of doubtful legality, but that situation would be remedied by a formal interstate compact approved by Congress.

Thoroughly disciplined by harsh experience the industry seems to be ready

for rigid restriction. The Petroleum Institute voted at Chicago in favor of the principle of "unitization" of operation of each oil field. By "unitization" is meant the operation of an oil pool as a unit through agreement among the various producers owning property within the limits of the pool.

"Unitization" is an advance over "proration" which simply fixes the amount of oil that may be produced by each well in the pool but does not result in the conservative operation of the pool as a whole.

It is obvious that neither "unitization" nor "proration" will solve the problem of wasteful or excessive production until they are effectively related to a national or intra-state limita-

tion. In fact, the final solution of fully regulated production may call for international agreement. The oil producers of Roumania are now taking the lead in proposing a conference of producers looking to that end, and American interests will be represented at the conference with the proviso that it is understood that at present they are without legal authority to make effective the restriction measures such a conference might indorse.

The effort to control oil production in the United States dates back to 1924 when President Coolidge appointed an Oil Conservation Board consisting of four members of his cabinet. Since then there has been much proration and production limitation legislation in Oklahoma, Texas, Kansas and California, the state utility bodies being the administrative agents. Largely due to this legislation but partly to Federal checking of prospecting on and leasing of public lands, and voluntary co-operation among producers, crude production was reduced by 109 million barrels in 1930 compared with 1929, and in the first nine months of 1931 it fell off nearly 60,000,000 barrels from the corresponding period of 1930.

The Anti-Trust Laws Oppose

The Federal Oil Conservation Board has been a failure so far as a national plan for the restriction of production

down their imports of oil and gasoline.

Curiously enough this informal restriction of imports is apparently exactly contrary to one of the fundamental objectives of the Board as originally conceived, which was to encourage importations in order to make the domestic oil reserves last as long as possible. When the Board was created the dominating thought was that within a few years the United States would become dependent, even for national defense purposes, upon foreign oil unless domestic production was restricted. At that time the extent of the known oil reserves was estimated as enough for only six years' production. Since then the estimate has been raised to nine or ten years.

Making Business for Foreigners

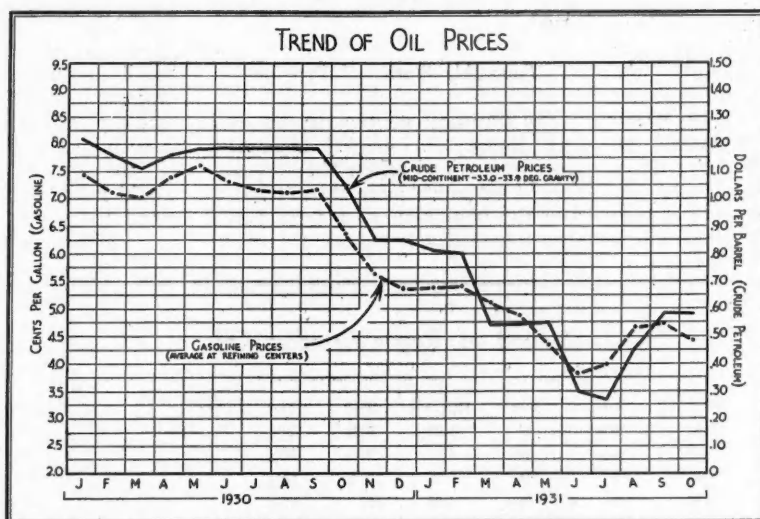
The policy of the Board is still to promote importations and restrict domestic production. "If I were landlord of this country," said Secretary Wilbur in January of this year, "I would see that we used as much imported oil as possible and let the other fellow waste his reserves."

In the light of recent history of the oil industry this seems to be a fatuous policy, as the increasing production of oil in other countries, notably in Russia, Venezuela and Colombia make it likely that if continued it will ruin the domestic oil industry.

Imports of crude oil in 1929 amounted to 79 million barrels, as against domestic production of 1,007 million barrels. In 1930 imports of crude petroleum and refined products amounted to 105 million barrels. The extent of these imports during a period in which restriction of domestic production had been successful raises a question of whether there has been actual overproduction of

oil in the United States after all.

It is pointed out that from 1918 to 1930 inclusive the United States actually produced 686 million barrels less of oil than it consumed although the amount of crude oil in storage increased by 341 million barrels. In other words, the total storage, of about 500 million barrels, is mainly due to



is concerned. Elaborate proposals to that end by the American Petroleum Institute were not found to be within the anti-trust laws when submitted by the Board to the Attorney-General of the United States. Since then the Board has been mainly a fact-finding and advisory body, but it has been able to persuade importers to cut

imports. Evidently domestic curtailment, however successful, cannot permanently produce the stabilization of the industry unless imports are restricted.

Voluntary restriction does not satisfy American producers who do not have oil wells in foreign countries. Hence the insistent demand for a stiff tariff duty on oil. It is asserted that it costs a dollar more a barrel to produce and deliver domestic oil than it does for Venezuela oil. Moreover, the foreign market for American oils is continually declining.

The Shadow of Russia

Russia seems destined to monopolize the oil supply of Europe and Asia. As yet she has not seriously attempted to enter the American market but that is not an impossibility. During the revolution, Russia which had once produced 50% of the world's output of petroleum fell to only 4%, but already she is second only to the United States. Between 1925 and 1930 Russia's production of crude increased 160%, while that of the United States increased only 18%. While the United States was reducing its production by 15% during the first quarter of this year Russia was increasing its by 35%.

The refinery capacity of Russia is now 136 million barrels a year. This is only about a tenth that of the United States but it is being expanded rapidly. The Russian oil reserves are practically unlimited. They constitute perhaps the greatest resources the Soviets have for extending their exports, the achievement of which is so necessary to the financing of the imports necessary for their immense industrial expansion under the Five-Year-Plan. Their domestic consumption is relatively small. As the United States consumes 70% of the world's oil production it

may not be long before Russian oil and oil products will be pouring into this country unless kept out by tariffs, embargoes or producers' and refiners' agreements. As this is written it is the Washington view that Congress will impose a tariff of perhaps a dollar a barrel on imported oil.

Costly Conservation

A tariff on such an abundant domestic commodity as petroleum does seem something like an economic monstrosity but we must deal with the realities. With great domestic as well as foreign corporations deeply involved in nearby foreign oil fields their particular business objectives are served by putting a large part of their foreign output into the free American market. Under such conditions a protective tariff is not so much of a monstrosity as the importation of oil into a country that is dripping with it. As for the idea of the Oil Conservation Board that we must leave oil in the ground and curtail production, no matter how great demand may become, simply to hoard it for some future national industrial or defense contingency, that is another instance of conservation idealism that is likely to defeat its own ends. It is not impossible that we may yet live to see petroleum as obsolete as tallow candles, and oil stored in the ground at present sacrifice as valuable as a barrel of gold to a starving castaway on a desert island.

Favorable Statistical Position

The statistical position is now such that unless the general depression grows worse and affects the consumption of oil much more than it has to date the imposition of a tariff would almost immediately restore the oil in-

dustry to prosperity. Stocks decreased in 1930 for the first time in five years, the decrease being 24 million barrels. For the first nine months of this year stocks fell off 45 million barrels. The present daily output of crude oil is around 200 or 300 thousand less than estimated requirements. Demand decreased hardly at all during 1930 as compared with 1929. In the first nine months of this year the total oil demand decreased 49 million barrels, of which the decrease in domestic demand was only 24 million barrels or less than 4%, the figures being for 1931 and 1930, 679 and 703 million barrels, respectively.

Oil Hasn't Far to Go

While other industries have to climb back anywhere from 30 to 70% to reach 1929 proportions, oil has to regain only 4% considering only domestic demand and only between 6 and 7%, including foreign demand. The domestic demand for motor fuel was actually larger in 1930 than in 1929. Current consumption is only a little under that of a year ago. Stocks on hand at the end of September represented only 26 days' consumption as against 27 days a year ago. Another restrictive factor is that the slump in drilling has been so great that it will take a long period to bring in the new wells normally required to maintain a given level of production.

It is conservative to conclude that the exclusion of the bulk of the petroleum imports, raw and refined, would, other factors remaining unchanged, rapidly restore the oil industry to a prosperous condition. But ignoring such a possibility the statistical position is such that only a slight quickening of the general business movement would result in such an increased demand for petroleum and its products (Please turn to page 164)

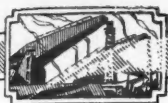
Record of Representative Oils

	1929			1930			1931			Present Price	Dividend
	Annual Earnings	High	Low	Annual Earnings	High	Low	Interim Earnings	High	Low		
Atlantic Refining	6.20	77%	30	1.09	51%	16%	d1.08(9)	28%	9%	14%	1.00
Cities Service	1.18	68½	20	0.68	44%	13½	....	20%	5½	7%	\$.30
Gulf Oil of Pa.	9.83	209	115	2.35	166%	58½	....	75½	38	48½	1.50
Humble Oil Co.	10.93	128	74½	6.08	119	57½	....	72	47½	54	2.00
Sinclair Consol. Oil.	2.82	45	21	3.01	32	9%	d1.78(6)	15%	5½	8	....
Socony-Vacuum	C 2.34	A	A	C 1.91	A	A	....	21	12½	14½	1.60
Standard Oil of Cal.	3.63	81%	51½	2.88	75	42½	0.81(9)	61½	28%	38½	2.50
Standard Oil of Ind.	4.66	63	45	2.73	59%	30	....	38½	15%	21%	1.00
Standard Oil of N. J.	4.75	53	48	1.66	84%	43½	....	52½	28½	35%	1.00
Sun Oil Co.	† 5.60	86%	55	4.68	70	39	0.49(6)	46½	28%	32	1.00
Texas Corp.	6.40	71%	50	5.50	67%	40%	....	36½	15	19%	2.00

(9)—First 9 months. (6)—First 6 months. combined data of S. O. of N. Y. and Vacuum Oil.

A—Organized August, 1931. F—Plus 6% in stock.

† Not adjusted to present capitalization. C—Computed from



Low Priced Stocks With Long Pull Promise

The late phase of a bear market offers unusual opportunity for purchase of low-priced common stocks, many of which will enhance greatly in value during the next period of normal business activity. Such stocks should be recognized frankly as speculations, should be selected with careful diversity, should constitute only a moderate portion of one's security holdings and should be accumulated only in periods of market reaction. Six stocks suitable for such a program are herewith analyzed.

Servel, Inc.

GENERAL business may be depressed, but this is emphatically not true of the manufacture of refrigerators. Their popularity during the last few years has grown by leaps and bounds and shows no signs of abating. Unfortunately for the purchaser of securities, however, these modern conveniences seem to be manufactured either by colossal companies to which they are only a sideline, or by concerns which cannot be classed by any stretch of the imagination as of investment caliber.

Nevertheless, inasmuch as the business has already grown rapidly and undoubtedly still has much further to go, there may well be individuals who would care to speculate on the future—recognizing the transaction of course for that which it is. For them, Servel, Inc., may be a satisfactory medium.

The company dates back to 1924 when it was known as the Public Service Electric Refrigerator Corp. After a number of reorganizations it became Servel, Inc., chartered under the laws of Delaware. The company makes both electric and gas refrigerators, the former under the name Servel and the latter under the name Electrolux. Fundamental patents on the Electrolux system are controlled. It also manufactures compressor gas engines, truck bodies and a variety of other steel and wood products.

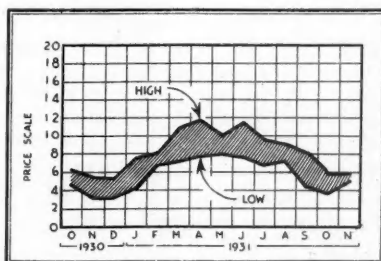
The fiscal year having been changed from December 31,

to October 31, the company reported for the ten months ended October 31, 1930, net income of \$934,603, which was equal after preferred dividends to 51 cents a common share. No direct comparison is available, but for the previous calendar year there was an indicated deficit of 38 cents a common share. For the nine months ended July

31, 1931, net income equivalent to 49 cents per common share was reported. No common dividends have ever been paid.

Servel is capitalized at 1,729,850 shares of common stock of no-par value and 8,709 shares of 7% preferred stock of \$100 par value. Funded debt has been reduced to about half its original total of approximately \$4,500,000.

Despite the fact that Servel has not a particularly edifying background, the company has undoubtedly made progress as is evidenced by the growth of earnings and the retirement of a large portion of the funded debt. Its prospects for the future, however, depend upon a continually growing demand for refrigerators and the ability of the management to take advantage of it. The former appears more than likely to occur but whether Servel's management—however, good it may be—can succeed on a large scale in the face of competition from such giants as General Electric, General Motors, Westinghouse and others, only time can tell.



American Power & Light Co.

A PUBLIC utility holding company operating under the supervision of the Electric Bond & Share Co., American Power & Light covers a tremendous range geographically, despite the fact that it operates with the sole exception of Florida west of the Mississippi. Roughly speaking, this river and the Rockies mark the Eastern

and Western boundaries of the company's sphere of operations, although between these limits it runs rife—from the extreme North to the extreme South. The total population of the territory served is about 3,500,000.

The American Power & Light Co. has expanded very rapidly in the last few years, but there is no evidence,

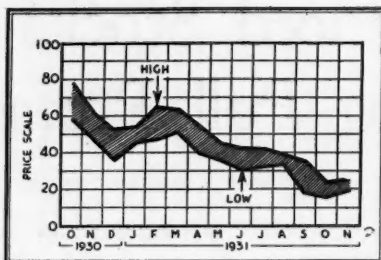
with the possible exception of last year, that this growth had resulted in any dilution of common stock earning power. In 1925, the company earned \$4.28 per share on the number of shares outstanding at the end of the period. In each of the following four years nothing less than this was ever reported and the peak was attained in 1927 with earnings of \$4.66. Last year, however, there was quite a serious slump to \$3.20, while for the twelve months ended June 30, last, a further recession was shown, earnings being equivalent to \$2.48 a share compared with \$4.23 for the corresponding previous period. Nevertheless, even the latest result affords ample coverage for the regular cash dividend of \$1 a share annually. This, plus the 4% in stock which is also paid, gives a purchaser at present prices of \$17 a share a yield of nearly 10% on the money invested.

The lower earnings recently reported have been caused by a number of unfavorable factors, which ironically enough have come one on top of the other. There is first of all the depression reacting to cause a curtailment, or at least a lack of growth, in all divisions of the company's

business. In the power division, however, it has had particularly serious effects, for mining operations in Montana, Utah and Idaho have been exceedingly hard hit. Furthermore, the weather has aggravated the situation with droughts in certain sections of the company's territory and all that this implies in curtailed purchasing power, or even business stagnation of the area affected.

These unfavorable factors, however, in part must be considered as non-recurring and the company's earnings would undoubtedly improve sharply with only moderate betterment in general business. Also, the unusually strong financial position must not be forgotten, the balance sheet as of June 30, last, showing current assets and current liabilities in the proportion of nearly 10 to 1.

Such a position is particularly important at the present time, for many companies are finding themselves in serious difficulties owing to a lack of working capital. This coupled with a high and well-covered return on one's investment leads one to believe that the stock might be considered well bought on reactions from current levels.



Bush Terminal Co.

MOVEMENT of merchandise is the life-blood of the Bush Terminal Co. and all the company's other activities are really subservient to this one. It operates one of the largest and most modern shipping terminals in the world located on the Brooklyn waterfront of New York's Harbor. Here, upon about 200 acres of land there are some 120 warehouses, a railroad with steam and electric locomotives, steamship piers and an electric light plant. By means of a car-float system connections are made with every trunk line entering New York City.

In addition to this property, Bush Terminal Co. owns through subsidiaries a 30-story building on West 42nd Street, New York City, and the Bush House in London, a modern office structure.

Revenues are derived from a number of sources, although of these rentals is the principal. Space is rented to manufacturers, jobbers, distributors and for office space.

Piers are rented to steamship lines and the company receives substantial revenue from stevedoring activities. In 1929, a subsidiary, Bush Service Corp., was formed which is equipped to handle export and import trade throughout the greater part of the world.

Capitalization consists of \$7,000,000 in 7% cumulative preferred stock of the Bush Terminal Buildings Co., a subsidiary, the issue being unconditionally guaranteed by the parent company; \$6,889,986 in 7% cumulative debenture stock of the Bush Terminal Co.; followed by 244,090 shares of no-par common stock. Funded debt totals slightly over \$20,000,000.

Earnings increased consistently from 1922 to 1927, a year in which \$5.24 a common share was reported. Since then they have been lower and somewhat irregular. In 1928, 1929 and 1930, the company reported \$4.21, \$4.39 and \$3.35 a share respectively. For the first nine months of

One-Line Analyses of Common Stocks in this Issue from The

Information as of

	Company	Ticker Symb.	Listed	Rating	Business	Funded Debt	Shares Outstanding	Par	DIVIDENDS		
									Rate	Payable	Record Date
1	American Power & Light.....	AOU	N	B1*	Electric utility.....	307,032,800	2,950,982	No	1.00	q-9/1	8/21
2	Atlantic Refining.....	AFI	N	C2	Lubricating oils.....	14,000,000	2,696,581	25	1.00	q-9/15	8/21
3	Brooklyn Union Gas.....	BU	N	A1	Supplies gas in Brooklyn.....	39,366,100	740,186	No	5.00	q-10/1	9/1
4	Bush Terminal Co.....	BH	N	C2	Warehouse facilities.....	11,332,000	244,090	No	2.50	q-11/2	10/9
5	Detroit Edison.....	DTE	N	A1	Electric utility.....	133,016,000	118,133,900	100	8.00	q-10/15	9/21
6	General Theatres Equipment.....	GTE	N	C4*	Theatre holding co.....	30,000,000	1,892,565	No			
7	Kennecott Copper.....	KN	N	D1	Copper & copper products.....	None	9,385,849	No	1.00	q-10/1	9/18
8	Kroger Grocery & Baking.....	KR	N	B2	Grocery chain.....	None	1,830,878	No	1.00	q-12/1	11/10
9	Loose-Wiles Biscuit.....	LO	N	B1	Crackers & biscuits.....	930,000	548,303	25	2.60*	q-11/1	10/19
10	N. Y., N. H. & Hartford.....	V	N	C1	Eastern carrier.....	255,266,450	1,571,186	100	4.00	q-10/1	9/18
11	Niagara Hudson.....	NHP	N	B1*	Utility holding co.....	211,274,360	25,896,444	10	0.40	q-9/30	8/31
12	Northern Pacific.....	NPX	N	C1	Northwestern carrier.....	314,137,000	2,480,000	100	3.00	q-11/2	10/5
13	Reynolds Tobacco 'B'.....	RJRB	N	B1	Tobacco products.....	None	9,000,000	10	3.00	q-10/1	9/18
14	Servel, Inc.....	SVL	N	B3*	Electric & gas refrigerators.....	2,007,388	1,729,850	No			
15	Simmons Co.....	SIM	N	C3	Beds & springs.....	22,956,400	1,133,236	No			
16	Sinclair Consolidated Oil.....	SC	N	C2	Integrated oil co.....	18,417,000	6,160,008	No	7/15	31 div.	passed
17	Timken Roller Bearing.....	TKR	N	C1	Machinery bearings.....	None	2,407,824	No	2.00	q-9/15	8/20
18	Westinghouse Electric & Mfg.....	WX	N	C1	Electrical mfg.....	None	2,586,341	50	2.50	q-10/31	9/30

* Revised ratings * Also extra payments C—Combined

the current year, \$2.49 a common share was shown, which compares with \$2.56 a share for the corresponding previous period. When making public this report, however, the company pointed out that there had been a marked increase in earnings during the months of September and October, which was attributed, for the most part to a material gain in efficiency.

Nevertheless, even without this improvement the company has won the distinction of earning the regular annual disbursement of \$2.50 a share in the first nine months of operations. On this basis it would seem that the stock around \$18 a share was much undervalued.

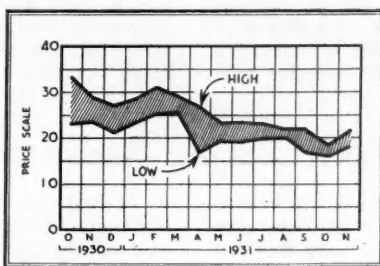
Unfortunately, however, a number of other factors must be taken into consideration and as these all rest in the unpredictable future the task of making a reasonably correct appraisal becomes doubly difficult. It is possible, in view of the present deplorable general real

estate situation, that the current low prices of Bush Terminal stock is discounting a future when the company will find it difficult to renew leases at rates as advantageous as the present ones. If this should be so, it follows that the

company's present earnings do not truly represent the situation as it exists and that the enterprise has been slow to feel the affects of depression for the reason that old leases made in the boom times are still running.

In addition to the possible difficulties contained in the renewal of leases, considerable doubt exists as to the near-term trend of the country's foreign trade. Whatever the cause, it has fallen drastically and the Bush company has felt the effects.

Nevertheless, despite a number of unfavorable aspects, we would be willing to speculate at prices moderately below those now prevailing that the future will not be as bleak as the market so evidently expects.



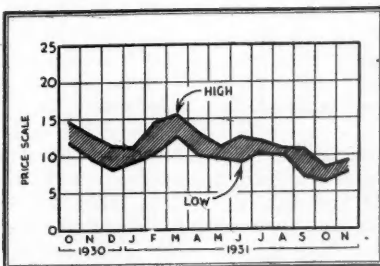
Niagara Hudson Power Corp.

MERE size in itself is almost always interesting. But when size is dynamic and coupled to a natural phenomenon such as Niagara Falls, it becomes fascinating. And so to the Niagara Hudson Power Corp., the largest producer of electrical energy in the world; the company seen by some as the power octopus of the State of New York and other as a benign giant eager to do them service; the company which is forever putting forth startling innovations on a tremendous scale.

The sources from which Niagara Hudson derives the power which it markets are many and varied. It controls the generation of electricity on the American side of Niagara Falls in addition to many other very valuable developed and undeveloped hydro-electric properties. It has steam plants of staggering capacity. All plants are interconnected one with the other so that should an unusual demand develop

in one section of the company's territory there will be no difficulty in meeting it conveniently and economically.

While the company until now has concentrated most of its operations in the Northern part of New York State,



it is at the moment very much in the public eye on account of the nearly completed link with the Consolidated Gas Co. of New York City. The line had been completed south of Albany as far as Hudson when a hitch developed with the Public Service Commission. The trouble centered around whether or not the new line would interfere with anything which might be done in the future in regard to the St. Lawrence power project. The difficulty, how-

ever, was cleared up only the other day and work on the last link to New York will be started immediately. The new line ought to result in substantial savings, for it will mean that hydro-electric energy can be sent to the city

Magazine of Wall Street's Adjustable Stock Rating Booklet

November 20, 1931

EARNINGS				PRICE RANGE				Recent Split-up or Stk. Div.	Complete Analysis See Page	Comment	
Annual	Interim	1930	1931	High	Low	High	Low				
1929	1930	1930	1931								
4.58	3.21	3.70je	2.48je	119½	36½	64½	14½	20% 1/31	143	Industrial depression and drought cut earnings	1
6.20	1.02	1.80se9	d1.03se9	51½	16½	23½	9½		146	Worst of inventory losses almost certainly passed	2
7.54	7.23			178½	98½	129½	80½		159	New rates more favorable; net income steady	3
4.32	3.55	2.56se9	2.49se9	48½	21½	31	15½		144	Strong financially; earnings well maintained	4
11.16	8.75	9.04se	8.95se	255½	161	195	112		138	Favorable earnings record during depression	5
11.72	0.85	N.F.	d0.28je	10	5½	15½	1½		167	Dubious otk.; Fox div. suspn. makes deficit	6
5.55	d1.66			62½	20½	31½	10½	100% 2/29	167	Poor prospects with low copper prices	7
13.38	1.15	0.12je	1.25je	48½	17½	35½	18	5% 1930	159	Dollar sales 40 weeks to Oct. 10 off 5.5%	8
4.88	3.99	2.65se9	2.31se9	70½	40½	54½	35½		156	Good outlook although full year net may be off	9
11.72	7.33	4.89se9	2.30se9	128½	67½	94½	30½		136	September net 37% below that of year ago	10
0.61	0.60	0.59se	0.52se	24½	8½	15½	6½		145	May connect with Consol. Gas of N.Y. shortly	11
8.79	6.95			97	42½	60½	19½		146	First 9 mos. net income off 57.6%	12
C3.22	C3.43			58½	40	54½	35½		156	Sales slightly off but net well maintained	13
d0.38	0.51ec 10	N.F.	0.51je9	13½	3½	11½	3½		143	Demand for refrigeration units holds	14
4.15	d1.05	0.15je	d0.24je	94½	11	23½	8½	1½% 1930	167	First 10 mos. sales off 26.7%; outlook poor	15
2.82	3.01	0.49je	d1.78je	32	9½	15½	5½		159	Economies and better oil prices improve otk.	16
5.88	3.12	2.54je	1.02je	89½	40½	59	19½	100% 1/29	159	Sound co.; smaller automobile demand cuts net	17
10.15	4.46	4.26se9	d0.45se9	201½	88½	107½	39½		156	Lower earnings impair dividend coverage	18

common and "B" d—Deficit ↑—Earnings not adjusted to present capitalization N.F.—No information se—Year Ended Sept. 30 je—6 months ended June 30 ec10—10 months ended October 31 je9—9 months ended July 31 se9—9 months ended Sept. 30. je—Year ended June 30

during times of high water and that a reverse movement will take place during periods in which the water is low.

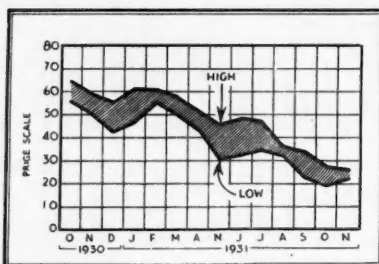
Niagara Hudson has been quite severely hit by curtailed industrial activity in recent months. For the nine months ended September 30, 1931, the company showed earnings of 36 cents a share on 26,139,359 shares compared with 44 cents a share on a slightly smaller number of shares for the corresponding nine-months' period of the previous year.

Northern Pacific Railway Co.

OPERATING about 7,000 miles of main and branch track stretching from various points in Wisconsin to the Pacific Coast, the Northern Pacific Railway Co. has claims to distinction other than being the cause of the spectacular battle between James J. Hill and E. H. Harriman in 1901, at which time the stock sold at \$700 a share on the Exchange and at about 50% more than this figure after it had been "taken off the board." The Northern Pacific is an important road and has the enviable record of uninterrupted dividend payments on its common stock since 1899.

Traffic is well diversified. In 1930, forest products contributed 31%, products of mines 29% and agricultural products about 24% of the tonnage transported. While distribution such as this, is undoubtedly advantageous in one sense, it will be seen that by far the greater part of the traffic consists of raw materials. These compared with manufactures pay little freight. Moreover, it is raw materials that the present depression has struck the hardest.

As a result, revenues have declined drastically. Net operating income for the first eight months of the current year totaled \$2,507,744 against \$5,904,462 and \$11,547,126 in the corresponding periods of 1930 and 1929 respectively. In the case of Northern Pacific, however, railroad operating income tells only part of the story, for the road has very substantial outside interests. In 1930, non-operating income amounted to nearly \$18,000,000 which was substantially greater than the sum received from railroad operations. Sources from which these outside receipts



are derived include a very large investment in the Chicago, Burlington & Quincy which is controlled jointly by this road and the Great Northern; holdings in the Northwestern Improvement Co. operator of "stripper" coal mines; and finally various land deals. At the end of last year Northern Pacific held not far from 6,000,000 acres of land-grant lands. Unfortunately, however, validity of title has been questioned in certain cases and in 1929 a bill was signed removing nearly 3,000,000 acres from land grant which will be used for forest conservation purposes. As yet, there is no record of compensation having been fixed by the courts.

As a result of the sharp decline in recent revenues, the dividend in October was reduced from \$5 a share to \$3. But even the smaller amount will not be earned this year without very substantial extraordinary disbursements on the part of subsidiaries. Fixed charges, however, will be covered, and by calling upon the Northwestern Improvement Co., for the by no means impossible additional sum of between \$4,000,000 and \$6,000,000, they would even be earned one and one-half times, which would be sufficient to keep the road's bonds on the legal list in this and other states.

There is not a single important maturity coming due in the near future, which is particularly gratifying at a time like the present when securities of any sort are so difficult to sell. It is an assurance against bankruptcy and knowing this one can look upon the current decline in traffic and earnings with a calmness which would be impossible otherwise.

The Atlantic Refining Co.

AS is well known, the general oil situation has been deplorable in recent times. A reckless and irresponsible overproduction, resulting in cutthroat competition and even tactics verging upon bucaneeering in some localities, to say nothing of the ordinary, expected effects of depression have brought in their train deficits to many companies and concern to their stockholders.

There has been, however, recently some small sign of improvement but even if this were not the case it is hardly conceivable that general conditions could have become much worse. And if this be so, the stocks of the better oil companies necessarily must be considered as being within a buying range for long-term speculative investment holding.

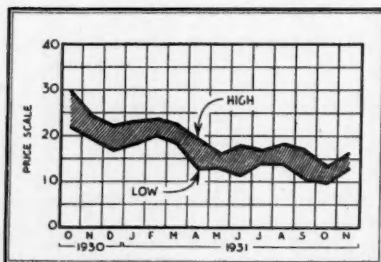
Well worthy of consideration in this class is the Atlantic Refining Co., an old standard-oil unit whose principal

business is the refining of crude oil. It is one of the most important manufacturers of lubricating oil in the country and it is also a crude oil producer.

The company's facilities are most extensive. They include refineries, the principal of which is located at Philadelphia; sea-going vessels and barges, pipe lines and marketing facilities both at home and abroad.

Capitalization consists solely of 2,696,642 shares of common stock of \$25 par value. Funded debt totals slightly over \$15,000,000, by far the greater part of which is in the form of 5% debentures due in 1937. The manner in which the company has been affected by the adverse influ-

ences recently prevailing in the industry is clearly shown in its earnings statements. Net income for 1930 amounted to \$2,743,000, equal to \$1.02 per common share, compared



with net income of \$17,332,000, equal to \$6.20 a share for 1929. It should be noted, however, that the result for the later period includes the deduction of \$3,112,000 as an inventory adjustment. For the first nine months of the current year the company sustained a net loss of approximately \$2,771,000, as against a net profit of \$4,844,000 for the corresponding previous period. This is certainly unfavorable, but it seems that the company has changed its bookkeeping policies so that inventory adjustments are made more often than only once a year. This gives considerable assurance that there will not be the same staggering charge-offs at the end of this year as was the case at the end of 1930.

Financial position is reasonably strong. Moreover, the company is well entrenched in the field. Nevertheless, in view of the general oil situation, rectification of which may be tedious, there would appear to be no necessity for haste in making a commitment.

New York, New Haven & Hartford

(Continued from page 137)

to earlier expectations of the directors and officials. In May, for instance, they estimated that net income for the first six months would be equal to about \$2 a share for the common. The actual results did not fall far short of this estimate, as the return was \$1.86 a share. This was in contrast with \$3.06 for the first six months of 1930.

Late in August, however, President Pelley said that he would be surprised if net income for the year did not exceed \$4.50 a common share. The figures made public since that time have indicated the necessity of revising that estimate downward, perhaps to a little better than \$3 a share. Gross earnings for August were off about 16% from last year. August net income was only \$572,282 against \$1,477,519 in August, 1930. Amount applicable to common stock after providing for preferred dividend was \$206,001, the smallest for any of the first eight months of this year, and only about one-fifth of what it was for August of last year.

For the first eight months of the current fiscal period New Haven's net income dropped to \$6,271,789 from \$9,609,972 for the corresponding period of the previous year. The two amounts were equal to \$2.13 and \$4.28 a common share respectively. In order to make good on Mr. Pelley's estimate

it will be necessary for the New Haven to earn \$2.37 a share for the common in the last four months against \$2.13 for the first eight months. From present indications it will not be possible to do this. Net income for the 9 months ended September 30 was equal to \$2.30 a share on the common. For the September quarter it was 44 cents. October net income is given as \$900,000, equal to 34 cents a share on the common.

The principal event with respect to New Haven affairs so far this year was the reduction in the common dividend on September 9 from a \$6 to a \$4 annual basis. This was a disappointment but not a surprise to the holders of that issue. The action was due primarily and chiefly to the fur-

ther big decreases in both gross and net earnings this year in addition to those of last year and of the final two months of 1929. The eight months gross this year decreased \$11,979,686 and net railway operating income \$3,673,410.

There were other contributing causes. Quite possibly if the common dividend had not been raised to 6% when earnings were large a reduction this year would not have been necessary. Then, too, in 1930 New Haven weakened its treasury position by the redemption of \$26,633,453 obligations. Of this amount \$18,514,503 was paid for with cash and proceeds of other treasury assets. For a road that had been "out of the woods" financially no longer than New Haven, and with

(Please turn to page 163)

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate \$ per Share	—Earned \$ per Share—			Redeem- able	Recent Price	Yield %
		1928	1929	1930			
Norfolk & Western	4 (N)	133.73	132.20	132.50	No	80	5.0
Atchison, Top. & S. Fe.	5 (N)	40.21	49.18	30.08	No	92	5.4
Union Pacific	4 (N)	46.32	49.48	41.30	No	66	6.1
N. Y., New Haven & Hart.	7 (O)	34.40	45.47	30.50	115	82	5.5
Baltimore & Ohio	4 (N)	49.44	48.87	36.46	No	45	8.9

Public Utilities

Amer. Lt. & Traction	1½ (O)	17.20	21.38	20.71	No	27	5.6
Public Service of New Jersey ..	3 (O)	\$20.92	\$24.44	\$22.10	No	140	5.7
Pacific Gas & Elec. Ist.	1½ (O)	4.24	4.57	5.25	No	26	5.8
New York Steam Corp.	6 (O)	9.75½	10.21½	16.95½	105	101	5.9
So. California Edison "B"	1½ (O)	3.28	3.01	3.63	28½	25	8.0
North American Co.	3 (O)	40.22	47.48	47.51	55	49	8.1
New York Steam Corp.	7 (O)	9.75½	10.21½	16.95½	115	109	6.4
North Amer. Edison	6 (O)	53.15	58.93	49.65	105	93	6.5
Buffalo, Niagara & Eastern Pr.	1 (O)	4.58	5.19	5.25	28½	24	6.7
Philadelphia Co.	3 (O)	20.63	27.58	28.27	No	44	6.8
American Water Works & El.	6 (O)	31.05	39.11	44.22	110	81	7.4
United Corp.	3 (O)	.....	4.66	6.42	55	40	7.5
Elec. Bond & Share	6 (O)	18.43	29.11	31.24	110	79	7.6
National Pr. & Light	6 (O)	45.33	50.22	45.16	110	79	7.6
Columbia Gas & Electric "A" ..	6 (O)	30.78	33.95	26.86	110	88	8.6
Engineers Publ. Serv. (w. w.) ..	5½ (O)	8.79	17.65	16.21	110	62	8.9
Electric Power & Light	7 (O)	17.00	19.03	13.39	110	72	9.7

Industrials

Procter & Gamble (2nd)	5 (O)	185.59	151.75	178.16	115	100	8.0
du Pont (E. I.) de Nemours ..	6 (O)	69.06	78.54	55.22	125	107	5.6
deb.	7½ (O)	16.25	21.36	24.24	No	38	5.7
Hershey Conv.	7 (O)	123.40	129.41	111.03	120	120	5.8
Stand. Brands, Inc., Cum. A.	7 (O)	68.63	76.88	63.90	120	120	5.8
Allied Chem. & Dye	7 (O)	85.27	44.11	35.31	120	113	5.9
Brown Shoe	1.5 (O)	.....	.....	.....	No	25	6.0
Diamond Match	7 (O)	84.50	93.91	84.63	No	113	6.2
Mathieson Alkali Works	6 (O)	13.70	18.86	20.03	115	93	6.5
General Mills	6½ (O)	45.50	51.92	50.87	110	99	6.6
Commerce Investm. Trust Ist.	7 (O)	62.21	35.92	64.03	No	102	6.9
Amer. Cigar	7 (O)	37.17	43.68	22.20	No	101	6.9
Amer. Smelting & Refining	7 (O)	14.60	15.40	12.60	No	100	7.0
International Nickel	7 (O)	139.12	80.45	40.26	120(a)	94	7.4
Curtis Publishing	7 (O)	21.48	23.93	21.25	120	93	7.5
Aluminum Co. of Amer.	6 (O)	14.04	17.19	7.93	110	80	7.5
Bethlehem Steel Corp.	7 (O)	19.16	42.24	23.84	No	90	7.8

C—Cumulative. N—Non-cumulative. \$ Earned on all pfd. stocks. † Regular rate, \$4.
(a) After Feb. 1, 1934. ‡ On combined preferred.



Market Indicators

For Profit

1931 Versus 1930

Now that the majority of nine months' earnings statements are at hand, it is possible to make a very fair estimate of how the present year will compare with 1930 in regard to corporate profits. It would seem that not a single industry will make a better showing this year than last, although the utilities as a whole will report but a comparatively small recession. The railroads will probably make the poorest showing of any group and their earnings are likely to be 50% or more under those of last year.

Among individual companies, however, there will be the inevitable exceptions, but these will be exceedingly few in number. From present indications it would seem that those catering to consumer demand had the best chance of being included in this class. Among the companies making the best showing so far are to be found Coca-Cola, Hershey Chocolate, Standard Brands and Loose-Wiles. Some of the merchandising companies have also done well. In the automobile group, Auburn and Chrysler are the exceptions of exceptions with earnings for the first nine months far ahead of those for the corresponding period of last year.

* * *

Debts

From storekeepers everywhere come curious reports. The Great American Public may not be buying now as much as it did during the so-called times of prosperity, but it is a great deal more meticulous about settling the score. Age-old accounts are being squared-up and there is quite evidently a strong determination to get out of debt and stay there—even if one has to live within one's income to do it.

Yet, despite this excellent example, government, state and municipal expenditures go on much as before. Should any of these august bodies succeed in clipping a few dollars from

their budget they strut around enveloped in a self-donated halo—apparently in complete ignorance of the fact that for every dollar less that they propose to spend, their revenues on the old basis of taxation will be cut five, ten or twenty dollars.

But their books have to balance ultimately and there are only two ways by which it can be done. Bonds must be floated or taxation revenues increased. A large number of states, cities and towns, however, are even now at the end of their tether as far as placing the burden on posterity is concerned and this leaves open only the second of the two courses. The wisdom of some of the more recent tax schemes is certainly debatable even in the broad economic sense, while it is positively vicious from the point of view of the particular industries concerned. We refer to such special levies as the new chain store tax and the increased taxes on gasoline and cigarettes.

This matter of taxes has become a serious one for the prospective investor, as he now not only has to appraise a particular industry and a particular company's position in that industry, but he is obliged to take into consideration the possibility of alteration in the whole picture brought about by the whims of unpredictable legislatures.

* * *

Wanted—Something New

What this country needs is not a good five-cent cigar. It has cigars already and any refinement in them must necessarily be a matter of small importance. Yet, we have apparently reached a point in our development where the mere improvement of something which works reasonably well as it is, is thought to be sufficient inducement for the public to spend. This is ridiculous. There is money enough, but little appeal. People are no longer going to scrap a perfectly good automo-

bile just because the new model has a glass instead of wooden knob on the gear-shift handle. Nor will they any longer go to the "movies" solely to hear the heroine talk. Nor is there much hope for a material increase in the consumption of various foodstuffs just because the can happens to be different from so-called old style cans. Refrigerators and airplanes are not enough, although they both have the necessary attributes to some extent. We need something new. Something for which the great mass of people will work and spend. Something which will give the country's business a push such as was given it by the popularization of the automobile. When it is discovered there will be a fortune in it and lucky indeed will be the investor on the ground floor.

* * *

Kroger Grocery

It was not long ago that earnings of as much as \$3 a share were estimated for the Kroger Grocery & Baking Co. for the current year. In the past few months, however, it is believed that the company's business has been adversely affected to an extent which, at the worst, will cut the previous estimation in half. But even should earnings be no more than \$1.50, the present dividend of \$1 would be very comfortably covered and, although we would be inclined to defer further purchases, holdings already acquired might be retained, pending developments.

* * *

A Misunderstood Investment

Among the many possible security purchases at this time which do not appear to reflect their true status are the bonds of the Federal Land Bank System. And this is true despite the fact that they have enjoyed a very substantial appreciation in market price over the past few weeks. In the first place they have nothing whatsoever to

and Income



do with Joint Stock Land Bank obligations, nor have they anything to do with the Federal Farm Board, despite the fact that loans are made through a body called the Federal Farm Loan Board. Federal Land Bank bonds are not guaranteed by the Government of the United States, but they are made under its strict supervision through a system which it sponsored and for which it must feel a deep moral obligation. These bonds are essentially farm mortgages, carefully made and each bond is an obligation of the system as a whole so that should disastrous conditions prevail in one part of the country, the obligations are likely to be protected by a normal state of affairs elsewhere. Much has been heard of the plight of the farmer, but the recent statements put forth by the system do not bear this out, except to a negligible extent. Indeed, no valid reason appears, except the fear of inadequately informed persons, for the bonds recent decline to prices which yielded from 6% to 8% on the money invested.

* * *

A Poor Statement

If the recently issued balance sheet of the New York Central is any criterion of the state of the country's railroads generally, it is small wonder that their securities make new lows every day. The statement showed that current liabilities had increased nearly \$28,000,000 during the year, while current assets declined nearly \$17,000,000. There was an actual working capital deficiency and the company's temporary borrowings were indicated as being in the neighborhood of \$50,000,000.

Yet, the New York Central is still paying dividends at the rate of \$4 a share on its common stock. And it is virtually borrowing money to do it. Despite a huge profit and loss surplus—tied-up in fixed property—such a course is folly and if continued for any length of time spells certain bank-

ruptcy. Surely it is time to forget the prestige of uninterrupted dividend records and turn to common sense business practice.

* * *

Refrigeration Still Expanding

Confirming the belief that there is always an effective demand for some things regardless of depression was the report of the Kelvinator Corp. for the year ended September 30, 1931. The company showed a net profit of \$1,761,709 after all charges and federal taxes equal to \$1.53 a share on 1,147,302 shares of common stock outstanding. This compares with \$1.35 on a slightly larger number of shares for the previous year.

Despite the fact that funded debt was reduced nearly \$2,000,000 over the past year, cash on hand at September 30, 1931, amounted to more than \$3,000,000 compared with \$1,561,866 at the end of the previous fiscal year. Financial position in the last report was strong, the ratio of current assets to current liabilities being about 8 to 1.

* * *

Savings Deposits Decline

During the month of October deposits in the mutual savings banks of New York State experienced the greatest decline in two years. They fell nearly \$15,000,000 which compares with a gain of more than \$17,000,000 in the previous month and a loss of about \$4,400,000 in October, 1930.

In view of the manner in which savings bank deposits have grown by leaps and bounds since December, 1929, the recent large decline gives pause to thought. We know that unemployment in New York State increased materially during the month, but it does not seem reasonable to suppose that this would be reflected so quickly or so drastically in savings. On the other hand, if the decline was not caused by the withdrawal of savings for liv-

ing expenses it must have been caused either by the increased demand for money for business purposes—untenable on the face of it—or by the fact that depositors have discovered more satisfactory investment mediums. Unfortunately only time will show which interpretation is the correct one.

* * *

A High Yield Preferred

Owning five sugar refineries in this country, the American Sugar Refining Co. controls nearly 30% of our domestic capacity. In addition, through a subsidiary it is an important Cuban producer. The company's packaged sugars are widely distributed under such well-known trade names as "Domino" and "Franklyn."

In recent years the price of sugar has steadily moved downwards to levels definitely unprofitable for producers. Furthermore, the constantly falling price has made it difficult for refiners to maintain a satisfactory margin between the price of raw sugar and that of the refined product.

Nevertheless, the American Sugar Refining Co. has made a reasonably good showing under the circumstances. Earnings on the 7% cumulative preferred stock were about double dividend requirements for the years 1928, 1929 and 1930. No interim statement for the current year is available.

At the end of last year current assets totaled nearly \$60,000,000, of which about a third was in cash, while current liabilities amounted to no more than \$5,348,000—a ratio better than 11 to 1. The company is pursuing a policy of steadily retiring the funded debt and with the elimination of the comparatively small amount of bonds which remain, the sole capitalization will consist of \$45,000,000 each in both common stock and preferred stock of \$100 par value. The preferred is currently selling slightly below par so that a yield of more than 7% is afforded.



Personal Investment Talk No. 15

The Time to Buy Stocks for Investment

The Question of When is Just as
Important as What in Market Operations

By JOHN DURAND

IN previous issues we have gone at considerable length into methods of deciding *what* stocks to buy. It is of at least equal importance, however, to know *when* to buy. As a matter of practical experience, we find that the two aspects of the subject are indeed not only equally important, but actually interdependent. It is impossible to decide what to buy without considering whether or not the time is now auspicious, and you can scarcely escape observing issues that "look good" during the process of studying when to buy. Nearly everyone would agree, for example, that American Telephone & Telegraph is a common stock of sound investment rating. In September of 1929 it reached an all time high of 310. Early in October it sold as low as 121. And yet for years it has maintained a uniform dividend of \$9 a share. Obviously even this king of common stocks was a far better buy last month than two years ago, both from the standpoint of price and yield and as a matter of peace of mind.

Waiting For a Comeback

There is a class of so-called "conservative" investors who will argue in reply to this: "Well, what of it? The stock will come back some day, and in the meantime I receive a regular quarterly dividend of \$2.25 a share." Now, let us see "What of it?" Suppose you bought the stock in 1929 at 310, and that the price does come back to 310—say in the year 1943. All you get out of the investment will be a regular income of 2.9% on what it cost you (disregarding the value of rights, which might bring the total yield up to 4%). On the other hand, had you post-

poned your purchase until October of this year, and then picked up the stock at 121, you might realize a profit of \$189 a share in 1943 which, added to rights and cash dividends, would be the equivalent of an average annual return of 15% on the investment, at simple interest instead of 4%. Of course neither you nor I know whether or when the stock will "come back" again to 310—it may never, or might eventually sell much higher. But the supposition has at least served to make our point clear.

Often it is waste of good grey matter to decide what to buy; because when the right time to buy does come, it may be that stocks other than those previously selected will seem to be better purchases. The industrial outlook, and prospects for individual companies, can change very quickly. All of which now seems quite obvious in retrospect; for the market leaders of 1928 and 1929 may not head the next advance in prices. It is in view of such considerations that the reader will probably find it advisable to devote attention first to the problem of *when* to buy. Then, when it seems that the time to buy has actually arrived, let him turn to a selection of *what* to buy.

Since practically all stocks decline in a bear market, and advance in a bull market, common sense tells us that the best time to buy stocks is near the bottom of a decline in the general averages, and that the best time to close out is near the top of an advance in the price level. It is the old maxim of: "Buy low, and sell high." Everyone admits that this is the correct procedure; but few of us trade and invest that way in practice. We find it difficult to recognize turning points in the market until they have passed into history, and we are too often influenced by

Year	Oct.				1930 Nov.					Dec.				1931 Jan.	
	4	11	18	25	1	8	15	22	29	6	13	20	27	3	10
COMBINED AVERAGE	87.3	78.1	74.3	76.7	73.6	68.1	73.1	74.8	71.9	69.8	62.2	63.4	59.9	67.6	71.6
Automobile Group	39.3	33.3	31.4	30.9	27.2	25.0	27.8	30.4	28.1	27.2	24.6	26.4	24.5	29.8	29.6
Auburn	90	81	74	74	66	64	72	78	80	86	84	104	95	110	110
(Triple bottom)	..	..	..	..	..	x	..	..	..	..	x	..	x	..	..

The Readers' Forum belongs to the readers of THE MAGAZINE OF WALL STREET and is intended exclusively to serve them in the discussion of problems of general investment interest. This department welcomes and invites contributions from its readers without imposing rigid restrictions as to their choice of subject matter. Stories of personal experience with, or personal opinion upon, investment problems are particularly appropriate since they often are of interest to many. The services of this department also are available for answering investment questions of general interest excluding inquiries regarding the position or prospects of individual securities

the price movement itself into reversing the process—buying near the top, and selling near the bottom. And so the old maxim should be supplemented with the admonition that one should first learn how to forecast important turning points in the market, and then act upon his knowledge promptly.

Complexity of Market Movements

Another difficulty in following the advice to buy low and sell high is found in the bewildering complexity of market movements. We have swings in the market cycle which vary all the way from huge movements in the major cycle—such as the great bull market that lasted from 1924 to 1929—to minor fluctuations of a few points in which only the scalper is interested. And so the kind of reaction you wait for before buying depends greatly upon how often you are in and out of the market. If you are one of those patient, long-pull investors, who buys common stocks only near the bottom of a major bull market, and holds them tenaciously until the crest of the next boom, you would buy only once in about seven years, on an average. If a scalper who hangs over the tape, you may be in and out several times a day.

The frequency with which a person may make commitments in stocks successfully, depends upon his ability as a forecaster. Upon the amount of time that can be devoted to the business, and upon temperament. To profit by the minor fluctuations, which last only a few hours or days, calls for the greatest amount of forecasting ability; means constant presence at the ticker; and a mental make-up which enables the scalper to act quickly, methodically, and unemotionally. The average person will probably find it most advantageous to follow the intermediate swings, which last a few months. Reference to THE MAGAZINE OF WALL STREET'S Common Stock Price Index shows that there were two of these "Speculative" up-swings during the first half of 1931—one from the beginning of the year to the end of February, and another during the month of June. If you are successful at short-selling, there was also the sweeping decline between these two rallies in

which large profits were possible on the down side.

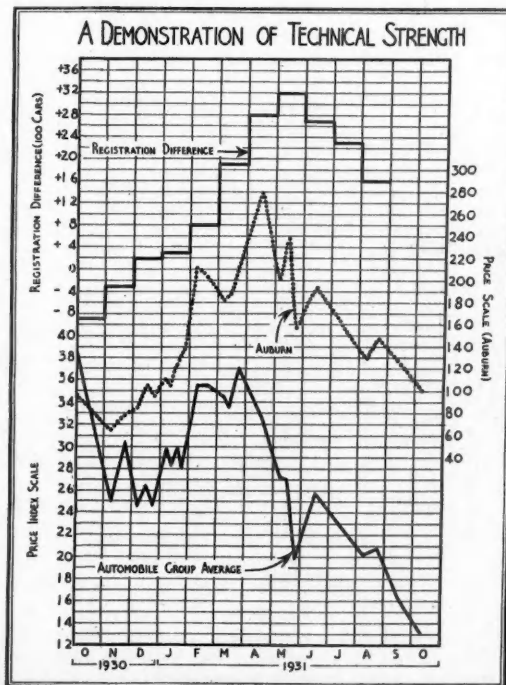
Most traders make the fatal mistake of jumping in and out of the market too often, whereas the long-pull investor often fails to take profits when he should. It is extremely important to decide what type of market swing you are going to follow, and then wait for the appropriate time to buy and to close out. For the semi-investor who can follow the type of cycle just mentioned, there are plenty of opportunities for profit. U. S. Steel Common, for example, moved during the first six months of 1931 from 136, up to 152, down to 83, and up to 105—a total of 107 points. If a person could catch only a quarter of these swings, on a 50% margin, profits would run at the rate of over 80% per annum on the amount of capital involved. This is a handsome reward for patience, and is by no means beyond the reach of a person who will make a serious study of market movements.

Forecasting Intermediate Swings

Speculative swings of the type here discussed are not extremely hard to forecast. The rallies are usually in response to some very bullish news—such as the Hoover moratorium bulge in June of 1931—or else in anticipation of the customary seasonal pick-up in business, which normally sets in around the first of the year, and again in the early fall. Declines in the stock market are ordinarily precipitated by some unfavorable development—such as very bad news; failure of the customary pick-up in business to materialize; or disappointment over the outcome of developments which had at first been construed as favorable. In this connection it is always of great service to keep in mind that market rallies while industrial output is receding will be comparatively short lived, just as reactions do not last long while conditions are improving in the business world. So far as the broader movements are concerned, business activity and the stock market generally travel in the same direction.

Having decided that the market is close to the bottom of a speculative downswing, the next question is what stocks to buy. In coming to a decision, it will be found con-

(Please turn to page 163)



Is Inflation the Way Out?

Guidance On An Important Investment Problem —
Application of Corporate Surpluses — Views of Readers

Editor, Readers' Forum:

I have heard it contended very frequently over the past few months that the way out of the present world depression will take place by means of inflation. There is much evidence of a tendency along these lines. The numerous countries which have gone off the gold standard have really in effect practiced inflation. Many plans have been put forward in the United States itself that the way out is for the Federal Reserve banks to buy several billion dollars' worth of Government securities, thereby forcefully injecting into the country a terrific dose of purchasing power. The schemes to control the price of various commodities, of which our Federal Farm Board affords a wonderful example, are no more than plans to escape deflation and therefore have many of the characteristics of inflation. The agitation for the cancellation of war debts also might be considered to be in this category. So far I admit that the plans have been far from successful, but is it not true that their failure has been due solely to psychological factors—namely a deplorable lack of confidence on the part of the whole world? And what will be the result when man's natural buoyancy again asserts itself?

A tremendous boom would appear inevitable. And the subsequent tremendous crash just as inevitable. If these events are to take place the individual must be very far-sighted to avoid disaster. In the first place it will be poor policy to hold either cash or bonds when the inflationary movement gets under way. Common stocks and property of all kinds will be the correct medium for the initial ride. Later they must be disposed of, although it would perhaps be just as well to continue to hold one's house, a farm or something of the kind despite the prospect of rapid deflation. Incidentally, I might say that I actually know of a case where a comparatively wealthy man bought a farm solely on the theory that come what might to his paper investments he would be enabled to support himself.

I should be glad to hear whether you believe there is any logic in this reasoning.
—A. D. T., Chicago.

While agreeing in principle with your points, we believe that many have been unnecessarily exaggerated. Debtors of course are penalized by deflation and benefit from inflation. But a moderate amount of the latter does not perforce mean that there will be a tremendous crash afterwards. It would merely tend to put debtors and creditors back upon the same basis as obtained prior to the drastic decline in commodity prices. This we believe would be for the good of everyone. There is, naturally, some danger that the inflation might be overdone, but

because there is as yet no sign whatsoever of rising prices, it would appear needless to look so far ahead.

In regard to your remarks on investments, we believe that each man as always must be the final judge of that which is best for him. We agree that outside of special individual circumstances it is better to own stocks and other property when gold is depreciating and that it is better to own bonds or other fixed income bearing obligations when gold is appreciating. This, however, is theory only—sound we admit—but many other factors must be taken into consideration. Perhaps the best investment advices which can be given at any time, whether there be inflation or deflation, is to buy house, bonds, stocks in the order named.

Following the Market Trend

Editor, Readers' Forum:

After having read the September 19th issue, in particular "With the Editors," page 691, I am prompted to avail myself of the opportunity offered to subscribers to ask questions and present their problems.

The question and problem I am herewith presenting is, I know, an old and trite one, but nevertheless, one which, as far as I know, has never been fully and satisfactorily answered and solved; and being that it is so pertinent and applicable especially in view of what has happened stock-market-wise in these last two years it certainly ought to be considered as being of general interest and one that merits serious consideration. It is this: How can one follow the trend of the stock market? It is said: "Never buck the trend." Now this is easy to say but the question and problem is how can it be done. How can one always follow the trend and always avoid going against it? Can it really be done? If so, what is the technique of doing it? Is there a definite method or system of doing it?

Now this is my "pet subject" at present and the discussion of which, I am sure, would be "generally helpful" and to which you or some of your subscribers may already have or may be able to find a solution. I will be anxiously waiting to see in a near future issue a discussion of and an answer to this question.—Carl O. Johnson.

Your question is difficult and can be answered only in generalizations. Most experienced investors prefer to buy stocks in a declining price trend and are influenced by their own judgment

of intrinsic values, without regard for intermediate fluctuations. Among in-and-out traders, however, the majority unquestionably buy on an up-trend. The reason is largely psychological. That is, the mere sight of advancing prices stimulates hope and enthusiasm. If one can recognize an up-trend and be reasonably sure it will continue, purchase of stocks in such a movement is, obviously, less hazardous than attempting to guess the bottom of a reaction. The professional trader goes on the assumption that any movement will continue. That is, if the market advances on volume for a day or two, the chances are that a purchase somewhere on this movement will show profit. There is no simple rule, but the speculator in attempting to follow the trend can protect himself to some extent by using stop loss orders.

What Is the Bank's Liability?

Editor, Readers' Forum:

I should appreciate answers to the following questions, which may be of general interest, but I would prefer not having them published above my initials.

Suppose the rule of a bank is that a margin of 25% be kept on collateral loans, and suppose that the bank fails to sell promptly the securities at the time the market declines so that the collateral fails to cover the 25% margin requirement and even to cover the face of the note, is then the bank liable to the borrower if it sells the collateral at a lower figure sometime later before the note on which the collateral is held falls due? It seems to me that if the bank neglects at the time the collateral depreciates below the margin requirement to notify the borrower or to sell the collateral then it is not justified in doing so at a lower value before the note falls due. Does the liability of the borrower on such a note extend beyond the collateral offered as security?

In the event of the failure of a bank in which a depositor has borrowed on his note can the face value of his deposits be used toward extinguishing the loan or do his deposits depreciate for this purpose also?—X.

The liability of a borrower to his bank is the face amount of his note, regardless of the value of the collateral put up to secure it. In practice a bank which is carrying a collateral loan will ordinarily call upon the borrower for more margin and will sell out the col-

lateral before the margin is completely exhausted in the event the collateral declines in market value. It is possible, however, for the collateral to decline too fast for the bank to take effective action. In any event, the bank is not liable for a delay which may prove costly to the borrower. It is free to exercise its own judgment in protecting itself on the loan which it has granted. In the event the bank fails, the borrower is still liable for the face amount of his note, regardless of the shrinkage in his deposit account with the bank.

Lending the Customer's Stock

Editor, Readers' Forum:

Is it the general practice of stock brokers to advise a customer to buy stock on margin, then while holding this stock to loan it to the short crowd to be used to embarrass and many times obliterate said customer?—Sylvester B. Nodler.

Your question is so worded as to ascribe an ulterior motive to the action of brokers in lending the stocks of customers. It is a fact, of course, that stocks are habitually borrowed by shorts without the specific consent of the long customer who is carrying them on margin. The broker has such a right under the terms of the general agreement which the customer signs in opening a margin account. The broker could not do a marginal business without having the right of hypothecation. He can either pledge the stock with a bank for some 80% of its market value or can lend it to a short, which is equivalent to borrowing the full market value. We believe that short-selling, whatever its merits and demerits, is a distinctly secondary factor in a liquidating market.

Surpluses and Dividend Protection

Editor, Readers' Forum:

Your Magazine furnishes me with very interesting and entertaining reading. It is very human, I guess, to think that a writer is intelligent when he voices opinions that agree with one's own.

There is one point though that I disagree with all economic writers on, and that is, they all seem to question the soundness of a big company with millions piled up as "surplus," paying dividends out of "surplus" when it is not earned in the current quarter. What is the use of surplus if not for that very purpose? What good does it do one if the U. S. Steel Co., or Pennsylvania Railroad earns \$16 a share for 3 or 4 years in succession, pays me \$7 and then for 2 or 3 years earns nothing and pays nothing?

If this so called surplus is in brick and steel and the new brick and steel don't earn 8 or 10% on itself it is a poor place to invest surplus. If the surplus is in cash and securities where it ought to be, to be correctly called a "surplus" then it should be used in times like these. If it has been in-

vested in increasing plant in these days when all plants are too big anyway, then it's rotten management in my opinion.—C. E. Blue.

Thanks

Editor, Readers' Forum:

In renewing my subscription, let me take this opportunity to say how excellent are your articles on foreign affairs. It is particularly noticeable that you give England a square deal. Surely she deserves it, being a nation that received only 43% of the money that we lent abroad, yet the one that has repaid us 83% of the amount we have received.—K. C. Bleckley.

The Smaller Dollar

Editor, Readers' Forum:

You have had some good articles in your September and October numbers. As the kids used to say in the old game in which they would blindfold one and let him hunt over the room for the hidden object—when the searcher would be going in the right direction and getting nearer the object, they would say "You are getting warm now." So, recently you have been "getting warm"—you have been getting near the source of the malady that is now killing business, men, and nations.

My daddy used to have peach trees on his farm. When a tree began to look sick—as if it were to die—he would get his grubbing hoe and his old pocket knife, scrape the dirt away from the roots and go after the "borers." He didn't get out and begin monkeying with the leaves of the tree. But up to now that is all that has been done to "cure" this economic malady—the boys have been trying only to put a little medicine on the effects—instead of going to the "root" of the trouble they have been just sprinkling a little dust on the leaves.

The magazines are full of the "causes" of the trouble. Each man has his pet cause. There are nearly as many causes as individuals. They cannot all be right. Maybe none—so far. But there is such a thing as truth in the world. There is one BIG CAUSE—one true cause. Until that cause is found and acknowledged there is no hope of an adequate remedy. And I think all who have as much brains as a wiggle tail will admit that an effective remedy should be applied quick. Oh, I know many are not thinking yet. A man with a full belly never thinks much unless he should happen to be a born thinker. A man who has had no serious losses—no losses to bring him close to the bread line—does not really think much.

As to the BIG cause—the daddy of all the little causes—the big cause that has caused the leaves to wither and the branches to die. I have been placed where I could see the thing at work. It affected the farmer first because he has to pay and to purchase directly with THINGS. The big cause was the terrible error of ten years ago—just after the war—to shove back to the prewar standard—to get the currency units back up to their prewar goldstandard bigness. That more than doubled all debts, public and private—national and international. All those billions of debts had been contracted on the smaller war-induced monetary units. If a man pays a debt once IN KIND he is doing well. The effort to pay by delivering twice as (Please turn to page 171)

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Business Evidences Scattered Improvement

CHEMICALS

Prospects Continue Uncertain

Production during the first ten months of this year has exceeded that of the corresponding period of last year for nitrates, arsenic and synthetic methanol. On the other hand, comparative figures for the same periods show drastic declines in output of acetate of lime, explosives, sulphuric acid, rosin and turpentine. The nitrate situation has become critical with European producers fighting South American trade dominance by high protective tariffs and sudden price slashing after repeated delays in announcing new quotations. Little improvement can be expected next year in United States nitrate sales, partly because a drastic decline in southern cotton acreage will undoubtedly take

(Please turn to page 171)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1931		Last*
	High	Low	
Steel (1)	\$0.01%	\$0.01%	\$0.01%
Steel (2)	0.01%	0.01%	0.01%
Pig Iron (3)	17.00	15.00	15.25
Copper (4)	0.10%	0.06%	0.06%
Lead (5)	0.06%	0.03%	0.03%
Petroleum (6) ..	0.81	0.14	0.69
Coal (7)	1.60	1.40	1.45
Cotton (8)	0.11	0.05%	0.06
Wheat (9)	0.90	0.36%	0.86
Corn (10)	0.68%	0.36	0.43%
Hogs (11)	25.00	10.50	12.00
Steers (12)	17.00	11.00	13.50
Coffee (13)	0.10	0.07%	0.08
Rubber (14)	0.06%	0.04%	0.04%
Wool (15)	0.72	0.57	0.59
Sugar (16)	0.03%	0.03%	0.03%
Paper (17)	62.00	57.00	57.00
Lumber (18) ...	17.67	13.59	13.86

* Nov. 23, 1931.

(1) Sheets, Pittsburgh, cents per lb. (2) Bars, Pittsburgh, cents per lb. (3) Basic Valley, \$ per ton. (4) Electrolytic, cents per lb. (5) Pig (N. Y.) c. per lb. (6) Kan., Okla., 32-32.9 deg. \$ per bbl. (7) Pitts., steam mine run, \$ per ton. (8) Middling (Galv.), cents per lb. (9) No. 2, Hard, Winter (Kan. City), \$ per bu. (10) No. 3 Yellow (Chlo.), \$ per bu. (11) Fresh loins, 10-12 lb (N. Y.) \$ per 100 lb. (12) 550-700 lb. (N. Y.) \$ per lb. (13) Santos, No. 4 (N. Y.) c. per lb. (14) Smoked Sheets (N. Y.) cents per lb. (15) Fine staple, clean (Boston), cents per lb. (16) Cuban raw 96 deg. deliv. (N. Y.), cents per lb. (17) News Rolls (N. Y.), \$ per ton. (18) Yellow pine boards, f. o. b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Steel ingot production remains at 31% of capacity. Usually November production exceeds October output by a heavy margin but this year the difference may not be over 10%. Deferred schedules by important automobile, rail and building consumers until after the new year is likely to stimulate production in the first quarter of 1932 to levels above the present quarter output. Prices of pig iron and finished steel have declined somewhat but other steel quotations remain unchanged.

PETROLEUM—Daily average crude oil production for the United States continues level, increases in Oklahoma and California balancing reduced East Texas flow. A gain of 1% in the ratio of production to capacity was registered by refineries, bringing this ratio to 64%. Stocks of gasoline have been reduced further and additional price advances in gasoline and kerosene have been made. If there be no relapse, the last quarter of 1931 should be the most profitable of the year for refining and marketing concerns.

COPPER—The conference of leading copper producers at New York City is preparing to disband, and so far seems not to have arrived at a workable plan for the control of copper output. Belgium controlled African interests were insistent upon not cutting down their quota in conformity with other leading producers, and even were unwilling to cut output sufficiently to take up materially surplus stocks of the metal. A new low price of 6½ cents a pound for domestic delivery has given tacit evidence of the copper conference failure.

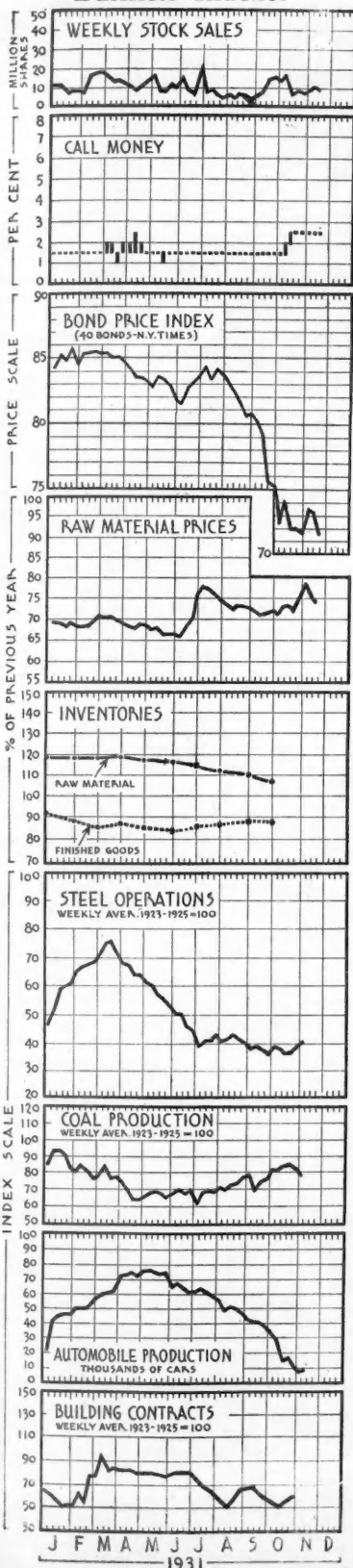
PAPER—The constantly expanding plant capacity of the paper industry during the past three years, coupled with the recent decline in magazine and newsprint consumption has resulted in negotiations between several large Canadian companies toward a merger in order better to control production. Contract prices of newsprint remain at \$57 a ton delivered at New York. October newsprint production was 4% greater than in September but shipments for October were even larger so the consequent reduction in stocks made for a somewhat better statistical position. The industry, as a whole, however, continues weak from a profits standpoint.

CHAIN STORES—In the first ten months of this year dollar sales of the 47 largest chain stores fell 4.7% compared with the corresponding period of 1930. October dollar sales for the same companies, however, declined 8.3%, evidencing an unfavorable trend. The chains, however, have been the most profitably operated retail merchandising agencies throughout the depression and the large October sales drop may quite possibly be temporary.

CEMENT—Portland cement production has receded steadily during the past ten months until now output is below 50% of capacity for the industry as a whole, compared with over 65% of capacity at this time last year. Profits have been further impaired by price slashing induced by the excess manufacturing capacity, lower building and road demand, and the strongly competitive spirit of the leading makers. Present stocks on hand are larger than in 1930 and with prices 20% less than those of a year ago, large inventory losses have been taken.

The Magazine of Wall Street's Indicators

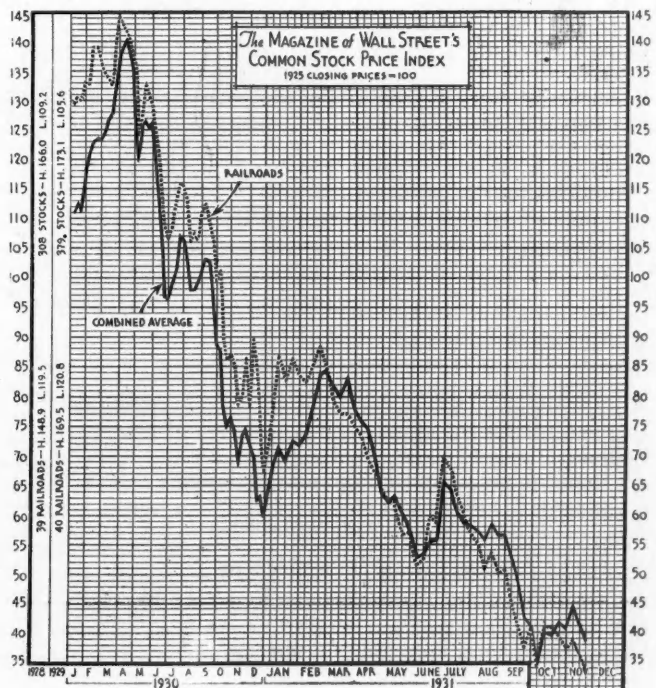
Business Indexes



Common Stock Price Index

1930 Indexes				1931 Indexes			
Close	High	Low	Number of Issues	Group	High	Low	Nov. 14 Nov. 21
62.2	140.7	59.9	406	COMBINED AVERAGE	84.4	34.8	41.9 38.5
112.0	405.5	105.7	5	Agricultural Implements	142.4	36.7	49.3 44.4
86.5	272.0	85.6	8	Amusement	121.2	35.2	39.0 35.2*
47.8	119.1	46.2	22	Automobile Accessories	76.9	26.8	33.5 30.3
25.5	78.4	24.5	20	Automobiles	37.0	12.4	15.7 14.7
39.9	153.1	35.4	4	Aviation (1927 Cl.-100)	74.2	30.0	34.2 31.2
23.8	74.2	23.8	3	Baking (1926 Cl.-100)	33.4	10.4	14.1 13.3
185.5	248.1	179.8	2	Biscuit	212.5	122.0	144.0 135.6
128.6	262.7	123.5	5	Business Machines	162.2	63.4	73.0 66.2
157.0	226.0	151.8	2	Cans	188.5	109.5	121.5 111.5
126.0	248.5	124.3	8	Chemicals & Dyes	167.8	75.2	99.7 90.8
35.4	107.9	34.4	3	Coal	71.8	26.8	34.1 29.1
48.3	121.8	46.2	22	Construction & Bldg. Mat.	73.7	23.8	28.9 26.5
70.4	211.7	67.0	12	Copper	92.4	34.2	46.8 39.0
83.0	125.1	80.7	2	Dairy Products	98.0	47.4	59.5 57.6
21.5	51.6	20.4	9	Department Stores	30.2	14.2	15.8 14.4
83.0	142.0	79.4	8	Drugs & Toilet Articles	120.4	56.8	66.4 60.4
115.8	239.1	114.9	6	Electric Apparatus	149.3	66.0	67.3 62.9
14.8	54.4	13.7	4	Fertilizers	21.5	5.1	7.0 6.1
77.6	148.4	68.5	2	Finance Companies	91.3	40.8	55.8 53.4
64.4	93.5	62.1	7	Food Brands	80.1	45.8	54.1 51.4
50.3	124.8	50.0	4	Food Stores	83.0	47.9	53.8 51.9
31.6	119.2	30.1	4	Furniture & Floor Covering	51.7	27.3	29.2 27.3*
29.9	92.5	28.6	7	Household Equipment	45.5	18.8	22.2 21.0
61.0	184.9	58.9	10	Investment Trusts	59.5	35.4	39.5 27.4
52.3	170.0	51.5	3	Mail Order	96.3	40.3	43.3 40.6
52.4	148.5	50.9	39	Petroleum & Natural Gas	69.2	28.3	34.7 31.6
37.2	175.2	36.8	8	Phono. & Radio (1927-100)	68.5	19.7	21.7 20.8
150.4	305.0	141.1	20	Public Utilities	196.8	87.5	108.6 94.3
57.8	115.4	55.5	10	Railroad Equipment	73.1	28.1	32.5 29.9
69.8	144.5	67.1	33	Railroads	88.4	33.4	36.2 33.4*
81.9	153.1	78.9	3	Restaurants	100.7	48.7	55.8 52.0
28.9	88.8	28.9	5	Shipping	38.0	11.0	13.9 13.3
100.4	246.5	150.8	2	Soft Drinks (1926-100)	183.4	92.6	108.2 103.0
63.5	146.5	61.4	13	Steel & Iron	92.3	31.4	39.8 35.7
12.9	45.1	12.2	6	Sugar	18.9	8.3	11.4 10.8
170.3	268.7	163.0	2	Sulphur	218.0	89.6	108.0 104.6
97.4	177.2	92.8	3	Telephone & Telegraph	132.4	61.4	67.5 61.4*
23.7	70.5	21.1	6	Textiles	46.0	16.5	21.5 21.7
10.9	39.0	10.9	7	Tires & Rubber	15.8	5.3	7.1 6.4
59.3	107.3	57.5	9	Tobacco	75.6	47.0	61.2 55.6
67.2	103.5	63.2	5	Traction	86.1	30.4	34.1 31.3
68.5	88.7	66.5	2	Variety Stores	82.0	55.0	58.8 55.0*

*—New Low Record since 1928.



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WESTINGHOUSE ELECTRIC & MFG. CO.

Will you give me your opinion as to the investment outlook for Westinghouse Electric & Mfg. Co.? I have 325 shares, for which I paid around 75. In view of the present earnings and general business outlook, do you think it advisable for me to continue holding?—R. J. K., Hartford, Conn.

When one considers the part that electricity plays in the present industrial and economic scheme of things, it is easy to understand why profits of manufacturers of electric equipment have melted away during the major depression period which we are now passing through. Westinghouse Electric & Manufacturing Co. is represented in practically every branch of the electric equipment industry its products ranging from small household appliances to giant electric locomotives, and the scope of the company's operations is international. The industrial depression has made itself felt in the company's current operations and Westinghouse is experiencing sharp curtailment of sales and earnings. Orders received by the company for the first nine months of this year were 22.5% below last year's figures and 43% below sales figures for the first nine months of 1929. Westinghouse reported for the nine months ended September 30, 1931, a loss of \$966,709 against net profit of \$11,352,244 in the comparable 1930 period. For the full year 1930, the company earned \$4.45 a share whereas \$10.15 a share was reported for 1929. Financial condition of Westinghouse is satisfactory and capitalization is conservative.

While the electric equipment industry is likely to be slow in recovering from the effects of the setback which it has received during the past year and a half, the ultimate future of the industry appears well assured. Uses for electricity are increasing in number and the demand for electrical equipment is bound to pick up as the wheels of industry begin to turn at a faster rate. While the present reduced dividend rate appears none too secure, we believe that the present position of Westinghouse and its past record, justify retention of long pull commitments.

R. J. REYNOLDS TOBACCO "B"

In studying over your "Adjustable Stock Ratings" I noticed that the entire price range for Reynolds Tobacco "B" was less than 19 points for 1930 and is about the same for 1931. I have 200 shares purchased in 1930 at an average price of 51. What do you think of the possibilities of the stock reaching this point? Would you advise me to continue holding?—L. A. C., St. Louis, Mo.

The past eleven years have witnessed a steady growth in sales and earnings of R. J. Reynolds Tobacco Co., and though there is some basis for believing that the ascending line of profits, characteristic of past years, is flattening out somewhat, it is considered likely that net for 1931 will compare favorably with the record total of \$34,257,000 reported for 1930. Per share earnings in 1930 and 1929 were \$3.42 and \$3.22, respectively. Dividend disbursements have been generous and took

87.5% of net last year and 79% in 1929. "Camel" cigarette sales have held up well through 1931, and "Prince Albert" smoking tobacco is contributing substantially to the company's net income. The aggressive advertising policy of the company has been a prominent factor in the success of Reynolds. Cigarette consumption has fallen off somewhat thus far in 1931, and this fact, coupled with price structure uncertainty in the industry and agitation for increased cigarette taxation in some quarters, has caused some uneasiness among holders of R. J. Reynolds stock. We are inclined to believe that Reynolds will weather the depression in good shape, and have little difficulty in extracting its share of profits from the tobacco industry. While the stock is not exactly on the "bargain counter," the issue is well suited for long term holding by a purchaser at higher levels.

LOOSE-WILES BISCUIT CO.

I have been a little disappointed in the market action of Loose-Wiles Biscuit Co. I thought that this being a food company might be considered one of the necessity companies and therefore be among the first to come back. I have 150 shares on which I have some loss. Do you think the stock will come back enough to make it worth while to continue holding?—L. A. F., Boston, Mass.

Loose-Wiles Biscuit Co. is a rapidly growing concern, enjoying aggressive and capable management. The company is a well integrated enterprise, (Please turn to page 159)

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Charles Benedict

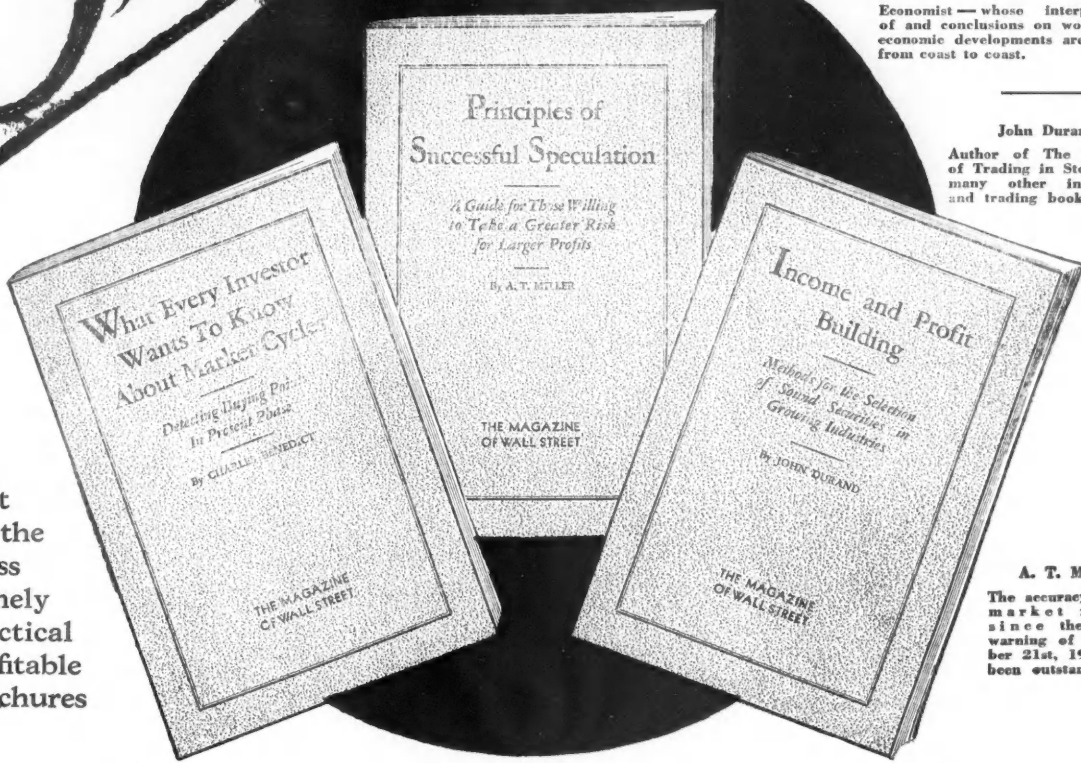
Economist—whose interpretation of and conclusions on world wide economic developments are quoted from coast to coast.

John Durand

Author of The Business of Trading in Stocks and many other investment and trading books.

A. T. Miller

The accuracy of his market forecasts since the timely warning of September 21st, 1929, has been outstanding.



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What Every Investor Wants To Know About Market Cycles

By CHARLES BENEDICT

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By A. T. MILLER

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(Continued from page 156)

controlling over a dozen bakeries strategically located throughout the country, and also has an excellent merchandising system. "Sunshine Biscuits," manufactured by Loose-Wiles, are widely and favorably known throughout the United States. Reflecting lower volume of buying on the part of the public and price concessions, earnings of Loose-Wiles have fallen off somewhat of late, despite lower raw material costs. For the nine months ended September 30, 1931, the company reported earnings equal to \$2.31 a share as compared with \$2.65 a share in the 1930 corresponding period. Present indications are that results for the full year 1931 will fall substantially under the \$4 a share earned in 1930 and the \$4.88 a share earned in 1929. However, the regular \$2.40 annual dividend rate, which has been supplemented this year by four extra dividends of 10 cents each, does not appear to be in immediate danger. Net income of the company prior to 1930 had trended steadily upward since 1921. The shares yield a fair return and we believe that the prospects for eventual recovery of the company's earning power are sufficiently well defined to justify retention of present commitments.

KROGER GROCERY & BAKING CO.

Will you please give me a report on Kroger Grocery & Baking Co.? I have 275 shares purchased at 35 in 1930. Do you think it advisable to sell and take my loss or do you advise me to hold and average?—R. L. S., Rochester, N. Y.

Chain grocery organizations have given a good account of themselves under conditions which have proven difficult for most lines. Kroger Grocery & Baking Co., the third largest factor in this field, operating approximately 5,000 grocery stores, most of which are located in the Middle West, is beginning to show the benefits of the drastic reorganization inaugurated last year. During 1928 and 1929 the company over-expanded; new management was subsequently installed and a number of reforms instituted. Unprofitable units were closed, accounting practices changed and a more conservative expansion program followed. Kroger's difficulties and their solution are eloquently chronicled by the earnings record of the company. For 1929, Kroger reported net income equal to \$3.37 a share followed by a drop to \$1.15 a share in 1930 and a revival to \$1.25 a share in the first 24 weeks of this year. Continued unemployment in the important steel and automobile manufacturing areas served by Kroger has had an adverse affect on sales and earnings of the company, while com-

petition has become increasingly keen. Adverse influences are reported to have been particularly marked in late months, so that results in the last half of this year will probably fall short of those registered in the first 24 weeks. While the recuperation in earning power of Kroger will probably be gradual, the success of the new management in rehabilitating Kroger's physical properties augurs well for the longer term possibilities of the company. We regard Kroger Grocery & Baking Co. common stock as an issue possessing better than average speculative possibilities. Retention of commitments made at higher levels is counselled, though fresh purchases should be deferred until market and business conditions assume a more promising aspect.

SINCLAIR CONSOLIDATED OIL CORP.

In 1930 I bought 300 shares of Sinclair Consolidated Oil Corp. at an average price of 30. With the increases in oil prices and the anticipated mergers I fully expected to see this stock show more strength, market-wise. What is the real outlook? I am of the opinion that my stock should be sold now, but would like your judgment before I do anything.—J. K. L., Akron, Ohio.

The oil industry has been suffering from an over-produced status during the past two years, with the result that price wars have had damaging effects upon earnings of enterprises engaged in this field. However, executives of the two most important oil-producing states, namely, Texas and Oklahoma, "have taken the bull by the horns" and have reduced to a minimum needless production. This factor, coupled with the voluntary curtailment on the part of several important units, has necessitated the heavy withdrawal of oil from inventories. Thus, we find, at latest reports, production more in line with consumer demand and a firming tendency in oil prices. Obviously, such accomplishments are gratifying; but the continued success of the procedure is problematical, since, after all, the equalization of supply and demand has been adjusted on an artificial basis. Inasmuch as Sinclair Consolidated Oil Corp. has important producing properties in Texas and Oklahoma, as well as Kansas, Wyoming and Louisiana, the effects of the foregoing program have been reflected in operations of the company. During the initial half of the current year, a deficit of \$10,415,088 was incurred, in contrast with profits of \$3,251,709 or 49 cents a common share, after preferred dividend requirements, for the corresponding period of last year. However, in reflection of operating economies and more favorable oil and gasoline prices, some earnings improvement should be shown during the current half of the

year, although substantial recovery of earning power is not an early prospect. The anticipated consolidation of Prairie Oil & Gas, Prairie Pipe Line and Rio Grande Oil with Sinclair will certainly improve the position of all four enterprises and should materially augment earnings during ensuing years. Consequently, and in view of Sinclair's strong financial condition, we are inclined to counsel further retention of the shares as a long-term speculation.

BROOKLYN UNION GAS CO.

What is your opinion of Brooklyn Union Gas? How are earnings holding up? I have 150 shares purchased above par in 1930. What do you advise?—H. M. L., Flint, Mich.

The coveted appellation "depression proof" may be justly accorded to Brooklyn Union Gas Co. on the basis of the company's showing thus far in the depression period. Though sales of manufactured gas per customer have declined somewhat, the total has held up well, largely as a result of the steady population growth of Brooklyn and Queens, the two principal areas served by the company. Increasing popularity of gas refrigeration and an advantageous rate recently granted by the Public Service Commission promise to benefit the company moderately in the period ahead. Last year, the company earned \$7.23 a common share, as compared with \$7.54 a share in 1929, based on a smaller capitalization in the latter period. With the exception of 1925, when a slight setback was experienced, earnings of Brooklyn Union Gas Co. have ranged between \$7 and \$8 a share since 1924. The financial condition of the company is notably strong. Possibilities of a merger with Consolidated Gas Co. of New York have been discussed in financial circles, but nothing definite has developed. While a sharp uprush in the shares of Brooklyn Union Gas Co. is not to be anticipated, the entrenched position of the company and its stable earning power lead one to regard the common stock as a sound investment issue eminently suitable for retention at the present time.

TIMKEN ROLLER BEARING CO.

I own 100 shares of Timken Roller Bearing at a cost of \$45 a share. I recently noticed a statement that the company's business has improved and am desirous of averaging my holdings at current prices. What is your advice?—A. S. D., Lowell, Mass.

In direct reflection of sharply curtailed activity in the automotive industry and the necessity on the part of railroads to defer unnecessary equipment purchases, sales and profits of Timken

(Please turn to page 167)

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**SOUTHERN PACIFIC COMPANY
DIVIDEND No. 101**

A QUARTERLY DIVIDEND of One Dollar (\$1.00) per share on the Capital Stock of this Company has been declared payable at the Treasurer's Office, No. 105 Broadway, New York, N. Y., on Saturday, January 2, 1932, to stockholders of record at three o'clock P. M., on Tuesday, November 24, 1931. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.

New York, N. Y., November 18, 1931.

New York Stock Exchange

RAILS

A	1929		1930		1931		Last Sale 11/18/31	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
Atchafalaya	298½	195½	242½	168	203½	97½	104½	10
Do Pfd.	104½	99	108½	100	108½	90	90	5
Atlantic Coast Line	208½	161	175½	98½	120	51	151	7
B								
Baltimore & Ohio	145½	105	123½	58½	87½	28	31½	4
Bangor & Aroostook	90½	55	84½	50½	66½	28	129	3.50
Brooklyn-Manhattan Transit	81½	40	78½	55½	69½	31½	38	4
Do Pfd.	98½	76½	98½	83	94½	67½	73	6
C								
Canadian Pacific	265½	185	52½	35½	45½	11	16½	1½
Chesapeake & Ohio	279½	190	51½	38½	46½	23½	30½	2½
C. M. & St. Paul & Pacific	44½	16	26½	4½	8½	2	2½	..
Do Pfd.	68½	28½	46½	7½	15½	3½	4½	..
Chicago & Northwestern	108½	75	89½	28½	45½	11½	11½	..
Chicago, Rock Is. & Pacific	143½	101	125½	45½	65½	17	17½	..
D								
Delaware & Hudson	226	141½	181	130½	157½	88	88	9
Delaware, Lack. & Western	169½	120½	163	69½	102	29½	33	2
E								
Erie R. R.	93½	41½	63½	29½	39½	10½	11½	..
Do 1st Pfd.	66½	55½	67½	27	45½	12	115½	4
Do 2nd Pfd.	69½	52	62½	26	40½	12	110½	..
G								
Great Northern Pfd.	128½	85½	102	51	69½	20	28	4
H								
Hudson & Manhattan	58½	34½	53½	24½	44½	27	130½	3½
I								
Illinois Central	153½	116	136½	65½	89	17	17	..
Interborough Rapid Transit	58½	15	39½	20½	34	7½	9	..
K								
Kansas City Southern	108½	60	85½	34	45	8½	111	..
Do Pfd.	70½	63	70	53	64	30	30	4
L								
Lehigh Valley	108½	65	84½	40	61	17½	18½	..
Louisville & Nashville	154½	110	138½	84	111	29	30½	5
M								
Mo., Kansas & Texas	65½	37½	66½	14½	26½	5½	7½	..
Do Pfd.	107½	93½	108½	60	85	18	22½	7
Missouri Pacific	101½	46	98½	20½	42½	10	12½	..
Do Pfd.	149	105	145½	79	107	24	29	5
N								
New York Central	256½	165	192½	105½	132½	39	39½	4
N. Y., Chic. & St. Louis	192½	110	145	75	88	9½	11	..
N. Y., N. H. & Hartford	132½	80½	128½	67½	94½	29½	29½	4
Norfolk & Western	290	191	265	181½	217	112	145	12
Northern Pacific	118½	75½	97	42½	60½	19½	20½	3
P								
Pennsylvania	110	72½	86½	53	64	28½	28½	2
R								
Reading	147½	101½	141½	73	97½	45	50	4
Do 1st Pfd.	50	41½	50½	44½	46	33	133	2
S								
St. Louis-San Fran.	133½	101	118½	39½	62½	6½	8½	..
St. Louis-Southwestern	115½	50	76½	18	33½	7	110	..
Seaboard Air Lines	21½	9½	12½	½	1½	½	½	..
Do Pfd.	41½	16½	28	½	2½	½	½	..
Southern Pacific	157½	105	127	88	109½	42	44	4
Southern Railway	163½	109	136½	46½	65½	14½	16	6
Do Pfd.	100	93	101	76	83	20½	120½	5
T								
Texas & Pacific	181	115	145	85	100	32	35	5
U								
Union Pacific	297½	200	242½	166½	205½	94½	94½	10
Do Pfd.	85½	80	88½	82½	87	63½	65	4
W								
Wabash	81½	40	67½	11½	26	5½	6½	..
Do Pfd. A	104½	82	89½	39	51	10	10½	..
Western Maryland	54	10	36	10	19½	5½	7½	..
Do 2nd Pfd.	83½	14½	38	11½	20	5½	15	..
Western Pacific	41½	15	30½	7½	14½	3½	13½	..
Do Pfd.	67½	37½	53½	23	51½	6½	8	..

INDUSTRIALS AND MISCELLANEOUS

A	1929		1930		1931		Last Sale 11/18/31	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
Adams Express	34	20	37½	14½	23½	7	7½	4
Air Reductions, Inc.	223½	77	166½	87½	109½	52	63	1
Allegheny Corp.	55½	17	35½	8½	12½	3½	9½	..
Allied Chemical & Dye	584½	197	543	170½	182½	68	94½	6
Allis Chalmers Mfg.	75½	35½	68	31½	34	14	17½	1
Amer. Brake Shoe & Fdry	60	40½	64½	30	38	21½	21½	2.40
American Can	184½	88	156½	104½	129½	71½	76½	5
Amer. Car & Fdy	106½	75	82½	24½	38½	9	12½	1
Amer. & Foreign Power	199½	50	101½	25	51½	10½	13	..
American Ice	54	29	41½	24½	31½	10½	14½	2
Amer. International Corp.	96½	29½	55½	16	26	6	8	1.40
Amer. Mch. & Foundry	279½	142	45	29½	43½	16	23½	1
Amer. Power & Light	175½	64½	119½	36½	64½	14½	18½	1.60
Amer. Radiator & S. S.	55½	28	39½	15	21½	7	13½	..
Amer. Rolling Mill	144½	60	100½	28	37½	19½	24½	1½
Amer. Smelting & Refining	130½	62	79½	37½	62½	7½	9½	..
Amer. Steel Foundries	79½	38½	52½	23½	31½	7½	9½	..
American Stores	88	40	55½	36½	48½	26	41½	2½
Amer. Sugar Refining	94½	56	69½	39½	60	24½	49	5
Amer. Tel. & Tel.	310½	193½	274½	170½	201½	121½	135	9
Amer. Tobacco Com.	233½	190	127	98½	128½	71½	86	6

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS (Continued)

Div'd \$ Per Share		1929		1930		1931		Last Sale 11/18/31	Div'd \$ Per Share
		High	Low	High	Low	High	Low		
10	A								3
5	Amer. Water Works & Elec.	199	50	124%	47%	80%	23%	32%	..
7	Anacosta Copper Mining	140	67%	81%	25	43%	12%	14%	..
..	Arnold-Constable Corp.	20%	6%	13%	3%	9	3%	4%	..
..	Assoc. Dry Goods	70%	25	50%	19	29%	9%	12%	1
3.00	Atlantic Gulf & W. I. S.S. Line	86%	32%	80%	33	39	10%	11%	1
4	Atlantic Refining	77%	30	51%	16%	23%	9%	11%	1
6	Auburn Auto	514	120	263%	60%	296%	84%	118%	4
1 1/4	B								..
2 1/2	Baldwin Loco. Works	66%	15	38	19%	27%	6%	8%	..
..	Barnsdall Corp. Cl. A.	49%	20	34	8%	14%	4%	7%	..
..	Beech Nut Packing	101	45	70%	46%	62	37%	44%	3
..	Bendix Aviation	404%	25	57%	14%	26%	12%	19%	1
..	Best & Co.	80%	25	50%	30%	46%	24%	30%	2
..	Bethlehem Steel Corp.	140%	78%	110%	47%	70%	22%	27%	2
..	Bohm Aluminum	136%	37	69	15%	43	20%	25	1 1/4
..	Borden Company	100%	53	90%	60%	76%	37	49	3
..	Borg-Warner	58%	26	50%	15	30%	9%	13	1
9	Briggs Mfg.	63%	8 1/2	25%	12%	23%	8 1/2	11	1 1/4
8	Burroughs Adding Mach.	96%	29	51%	18%	32%	10	13%	1 1/2
..	Byers & Co. (A. M.)	192%	50	112%	33%	69%	12%	17%	..
4	C								..
..	California Packing	84%	63%	77%	41%	53	10%	10%	..
..	Calumet & Hecla	61%	25	33%	7%	11%	3 1/2	4%	..
..	Canada Dry Ginger Ale	98%	45	75%	30%	45	14	18%	3
4	Case, J. I.	467	130	362%	83%	131%	33%	44%	..
3 1/2	Caterpillar Tractor	61	50%	79%	22	52%	11%	15	2
..	Cerro de Pasco Copper	120	52%	65%	21	30%	9%	15%	1
..	Chesapeake Corp.	92	42%	82%	32%	54%	14%	23%	3
..	Childs Co.	75%	44%	67%	22%	33%	8	11%	..
..	Chrysler Corp.	135	26	43	14%	25%	11%	16%	1
..	Coca-Cola Co.	154%	101	151%	153%	170	87%	118%	8
..	Colgate-Palmolive-Peet	90	40	64%	44	50%	30	36	2 1/4
..	Colorado Fuel & Iron	78%	27%	77	13%	32%	8%	12%	..
4	Columbian Carbon	344	105	199	65%	111%	33	44%	4
..	Colun. Gas & Electric	140	52	87	30%	45%	16%	21%	1
..	Commercial Credit	62%	18	40%	15%	23%	8	12%	1.60
..	Commercial Solvent	63	20%	38	14	21%	9%	11	1
5	Commonwealth Southern	243%	10	20%	7%	12	4%	5%	.30
..	Consolidated Gas of N. Y.	183%	80%	136%	78%	109%	61	71%	4
..	Continental Baking Cl. A.	90	25%	52%	16%	30	5%	7	..
..	Continental Can, Inc.	92	40%	71%	43%	62%	31%	37	2 1/2
7	Continental Oil	47%	45	30%	7%	12	5	7%	..
..	Corn Products Refining	126%	70	111%	65	86%	36%	50	8
..	Cruicible Steel of Amer.	121%	71	83%	50%	63%	22	28%	4
..	Cudahy Packing	67%	36	48	38%	45%	29	35	4
..	Curtis Publishing	132	100	126%	85	100	35	37%	4
4	Curtis Wright, Common.	30%	6%	14%	1%	5%	1%	2	..
4	Curtis Wright, A.	37%	13%	19%	3	8%	2%	2%	..
12	D								..
3	Davison Chemical	69%	21%	45%	10	23	4	6	..
..	Drug, Inc.	126%	69	87%	57%	75%	42%	57	4
..	Du Pont de Nemours	231	80	145%	80%	107	53%	60%	4
2	E								..
..	Eastman Kodak Co.	264%	150	255%	142%	185%	93	101%	8
4	Eaton Axle & Spring	76%	18	37%	11%	21%	7%	10	1
2	Electric Auto Lite	174	50	114%	33	74%	20	36	4
..	Elec. Power & Light.	86%	29%	103%	34%	60%	15	15	1
..	Elec. Storage Battery	104%	55	79%	47%	66	29	34	4
..	Endicott-Johnson Corp.	83%	49%	59%	36%	45%	30	32	3
..	F								..
..	Firestone Tire & Rubber	37	24%	33%	15%	21%	13	14%	1
4	First National Stores	90	44%	61%	38%	63	41	51%	2 1/2
6	Foster Wheeler	95	33	104%	37%	64%	10%	13%	1
..	Fox Film Cl. A.	105%	19%	57%	16%	38%	5	7	..
..	Freepot Texas Co.	54%	23%	55%	24%	43%	13%	19%	3
5	G								..
..	General Amer. Tank Car.	123%	75	111%	59%	73%	38%	44	4
10	General Asphalt	94%	42%	71%	22%	47	9%	15%	2
4	General Electric	403	168%	95%	41%	54%	24%	29%	1.60
..	General Foods	81%	35	61%	44%	58	30%	37%	3
..	General Mills	89%	50	59%	40%	50	32	34	3
..	General Motors Corp.	91%	33%	54%	31%	48	22%	26%	3
..	General Railway Signal	126%	70	106%	56	84%	22%	28	5
..	General Refractories	88%	50	90	39	57%	15	17%	1
..	Gillette Safety Razor	143	80	106%	18	38%	9%	14%	..
..	Gold Dust Corp.	82	31%	47%	29	42%	18	21	2 1/2
..	Goodrich Co. (B. F.)	105%	38%	58%	15%	20%	5	6%	3
..	Goodyear Tire & Rubber	154%	60	96%	35%	52%	16	25%	3
..	Granby Consol. Min., Smelt. & Fr.	102%	46%	59%	12	22%	5%	8%	1
..	Grand Union	32%	9%	20%	10	15%	7	9%	..
..	Great Western Sugar	44	23	34%	7	11%	5%	8%	..
..	Gulf States Steel	79	42	80	15	37%	6	8%	..
Div'd \$ Per Share	H								..
1	Hershey Chocolate	143%	45	109	70	103%	71%	185	5
..	Houston Oil of Texas	109	26	116%	29%	68%	19	26%	..
4 1/4	Hudson Motor Car	92%	38	62%	18	26	7%	13	1
6	Hupp Motor Car	82	18	26%	7%	13%	3%	5%	..
1	I								..
2.50	Inland Steel	113	71	98	58	71	26%	131%	2
8	Inter. Business Machines	255	109	197%	131	179%	92	118%	6
1	Inter. Cement	102%	48	75%	49%	62%	17	23%	4
..	Inter. Harvester	142	65	115%	45%	60%	23%	32%	2 1/2
8	Int. Match Pfd.	102%	47	99	52%	73%	19	25%	4
..	Inter. Nickel	72%	25	44%	12%	20%	7%	9%	.20
1.40	Inter. Paper & Power "A"	112	57	31%	5%	10%	1%	4%	..
1	Inter. Tel. & Tel.	140%	53	77%	17%	38%	13%	15	1
..	J								..
1 1/4	Jewel Tea	84%	45	66%	37	57%	24	37%	4 1/2
..	Johns-Manville	242%	90	148%	48%	80%	28%	28%	3
2 1/2	K								..
9	Kennecott Copper	104%	49%	63%	20%	31%	10%	13%	1
6	Kresge Co. (S. S.)	57%	24	36%	26%	29%	19	21%	1.00

NOVEMBER 28, 1931

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Dividends and Interest

★

DIVIDEND

ARMOUR AND COMPANY

OF DELAWARE

On Nov. 20th a quarterly dividend of one and three-fourths per cent (1 3/4%) on the preferred stock of the above corporation was declared by the Board of Directors. Payable Jan. 2, 1932, to stockholders of record at the close of business Dec. 10, 1931.

E. L. LALUMIER,
Secretary

★

UNDERWOOD ELLIOTT FISHER COMPANY

A dividend of \$1.75 a share on the Preferred stock and a dividend of 75c a share on the Common stock of Underwood Elliott Fisher Company will be payable December 31, 1931, to stockholders of record at the close of business December 12, 1931.

Transfer books will not be closed.
C. S. DUNCAN, Treasurer.

Dividends and Interest

Public Service Corporation of New Jersey

Dividend No. 98 on Common Stock

Dividend No. 52 on 8% Cumulative Preferred Stock

Dividend No. 36 on 7% Cumulative Preferred Stock

Dividend No. 14 on \$5.00 Cumulative Preferred Stock

The Board of Directors of Public Service Corporation of New Jersey has declared dividends at the rate of 8% per annum on the 8% Cumulative Preferred Stock, being \$2.00 per share; at the rate of 7% per annum on the 7% Cumulative Preferred Stock, being \$1.75 per share; at the rate of \$5.00 per annum on the non par value Cumulative Preferred Stock, being \$1.25 per share, and 85 cents per share on the non par value Common Stock for the quarter ending December 31, 1931. All dividends are payable December 31, 1931, to stockholders of record at the close of business, December 1, 1931.

Dividends on 6% Cumulative Preferred Stock are payable on the last day of each month.

T. W. Van Middlesworth, Treasurer.

Public Service Electric and Gas Company

Dividend No. 30 on 7% Cumulative Preferred Stock

Dividend No. 2 on \$5.00 Cumulative Preferred Stock

The Board of Directors of Public Service Electric and Gas Company has declared the regular quarterly dividend on the 7% and \$5.00 Preferred Stock of that Company. Dividends are payable December 31, 1931, to stockholders of record at the close of business December 1, 1931.

T. W. Van Middlesworth, Treasurer.

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

November 23rd, 1931

THE Board of Directors has declared the regular quarterly dividend of 75c. per share and an extra dividend of \$1.00 per share on the Common Stock of this Company, payable December 31st, 1931 to Common Stockholders of Record at the close of business December 12th, 1931.

DAVID BERNSTEIN
Vice President & Treasurer

E. I. DU PONT DE NEMOURS & CO.

Wilmington, Delaware, November 16, 1931.

The Board of Directors has this day declared a dividend of \$1.00 per share on the outstanding \$20.00 par value Common Stock of this Company, payable on December 15, 1931, to stockholders of record at the close of business on November 25, 1931; also dividend of \$1.50 a share on the outstanding debenture stock of this Company, payable on January 25, 1932, to stockholders of record at the close of business on January 9, 1932.

CHARLES COPELAND, Secretary.

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a distribution of 75 cents per share on the Company's 2,540,000 shares of capital stock without nominal or par value, payable on December 15, 1931, to stockholders of record at the close of business on December 1, 1931. Stockholders will be advised later as to what portion of said distribution is from Free Surplus and what from Reserve for Depletion.

H. F. J. KNOBLOCH, Treasurer.

THE ELECTRIC STORAGE BATTERY COMPANY

Allegheny Ave. and 19th St.,

Philadelphia, November 20, 1931.

The Directors have declared from the Accumulated Surplus of the Company, a quarterly dividend of One Dollar (\$1.00) per share on the Common Stock and the Preferred Stock, payable January 2, 1932, to stockholders of record of both of these classes of stock at the close of business on December 7, 1931. Checks will be mailed.

WALTER G. HENDERSON, Treasurer.

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS (Continued)

	1929		1930		1931		Last Sale 11/18/31	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
K								
Kreuger & Toll	46 1/2	22 1/2	35 1/2	20 1/2	27 1/2	5 1/2	7 1/2	1.01
Kroger Grocery & Baking	128 1/2	38 1/2	48 1/2	17 1/2	35 1/2	18	19 1/2	1
L								
Lambert Co.	127 1/2	80 1/2	113	70 1/2	87 1/2	40 1/2	57	8
Lehn & Fink	68 1/2	28	36	21	34 1/2	18 1/2	121 1/2	3
Liggett & Myers Tob. B.	106	80 1/2	114 1/2	78 1/2	91 1/2	40	55 1/2	5
Liquid Carbonic	113 1/2	40	81 1/2	39	55 1/2	18 1/2	22	2
Loew's, Inc.	84 1/2	32	95 1/2	41 1/2	63 1/2	27 1/2	38	3
Loose-Wiles Biscuit	88 1/2	39 1/2	70 1/2	40 1/2	54 1/2	35 1/2	40 1/2	3
Lorillard	31 1/2	14 1/2	28 1/2	8 1/2	21 1/2	10	14	..
M								
Mack Truck, Inc.	114 1/2	55 1/2	88 1/2	33 1/2	43 1/2	15 1/2	19 1/2	2
Macy (R. H.)	265 1/2	110	159 1/2	81 1/2	106 1/2	63	67 1/2	3
Magma Copper	88 1/2	85	82 1/2	19 1/2	27 1/2	7 1/2	10 1/2	1
Marine Midland	..	..	32 1/2	17 1/2	24 1/2	12 1/2	14 1/2	1.20
Mathieson Alkali	72 1/2	29	51 1/2	30 1/2	31 1/2	14 1/2	25	2 1/2
May Dept. Stores	108 1/2	45	61 1/2	27 1/2	39	24 1/2	34 1/2	4
McKeesport Tin Plate	85	44	89 1/2	61	103 1/2	38 1/2	54 1/2	..
Mont. Ward & Co.	156 1/2	42 1/2	49 1/2	15 1/2	29 1/2	8 1/2	11 1/2	..
N								
Nash Motor Co.	118 1/2	40	58 1/2	21 1/2	40 1/2	15 1/2	19 1/2	2
National Biscuit	236 1/2	140	98	68 1/2	83 1/2	37 1/2	47 1/2	2.80
National Cash Register A.	148 1/2	59	85 1/2	27 1/2	99 1/2	15	16 1/2	1 1/2
National Dairy Prod.	88 1/2	36	62	38	50 1/2	20 1/2	23 1/2	2.00
National Lead	310	129 1/2	189 1/2	114	133	84 1/2	191	5
National Power & Light.	71 1/2	23	58 1/2	30	44 1/2	14 1/2	16 1/2	1
North American Co.	186 1/2	66 1/2	132 1/2	57 1/2	90 1/2	26	37 1/2	810 1/2
O								
Otis Elevator	55	22 1/2	80 1/2	49 1/2	58 1/2	20 1/2	25 1/2	2 1/2
Otis Steel	55	22 1/2	35 1/2	9 1/2	16 1/2	3 1/2	5 1/2	..
P								
Pacific Gas & Electric	98 1/2	42	74 1/2	40 1/2	54 1/2	29 1/2	38	2
Pacific Lighting	146 1/2	58 1/2	107 1/2	46	69 1/2	38	43 1/2	3
Packard Motor Car	32 1/2	13	23 1/2	7 1/2	11 1/2	4	5 1/2	40
Paramount Public	75 1/2	35	77 1/2	34 1/2	50 1/2	10 1/2	13 1/2	510 1/2
Pennay (J. O.)	108 1/2	46	27 1/2	14 1/2	44 1/2	8 1/2	8 1/2	2.40
Phillips Petroleum	47	24 1/2	44	11 1/2	16 1/2	4 1/2	7 1/2	..
Prairie Oil & Gas	65 1/2	40 1/2	54	11 1/2	20 1/2	5 1/2	7 1/2	..
Prairie Pipe Line	65	45	60	16 1/2	26 1/2	7 1/2	10	..
Procter & Gamble	98	43 1/2	78 1/2	52 1/2	71 1/2	39 1/2	46 1/2	2.40
Public Service of N. J.	137 1/2	54	123 1/2	65	96 1/2	51 1/2	64 1/2	3.40
Fullman, Inc.	99 1/2	73	89 1/2	47	88 1/2	3 1/2	23 1/2	3
Pure Oil	30 1/2	20	27 1/2	7 1/2	11 1/2	5	6 1/2	..
Purity Bakeries	148 1/2	55	88 1/2	30	85 1/2	12 1/2	16 1/2	2
R								
Radio Corp. of America	114 1/2	26	69 1/2	11 1/2	27 1/2	8 1/2	9 1/2	..
Radio-Keith-Orpheum	46 1/2	12	50	14 1/2	24 1/2	2 1/2	3 1/2	..
Remington-Rand	57 1/2	20 1/2	46 1/2	14 1/2	19 1/2	4	4 1/2	..
Republic Steel	148 1/2	62 1/2	79 1/2	10 1/2	25 1/2	5 1/2	8	..
Reynolds (R. J.) Tob. Co. B.	66	39	58 1/2	40	84 1/2	35 1/2	38 1/2	2
Royal Dutch	64	43 1/2	58 1/2	36 1/2	42 1/2	13 1/2	17	..
S								
Safeway Stores	195 1/2	90 1/2	122 1/2	38 1/2	69 1/2	38 1/2	49 1/2	5
Sears, Roebuck & Co.	181	80	100 1/2	43 1/2	63 1/2	31	41 1/2	2 1/2
Shell Union Oil	31 1/2	19	25 1/2	5 1/2	10 1/2	3 1/2	4 1/2	..
Simmons Co.	188	59 1/2	94 1/2	11	23 1/2	8 1/2	11 1/2	..
Sinclair Consol. Oil Corp.	45	21	32	9 1/2	15 1/2	5 1/2	7 1/2	..
Skelly Oil Corp.	40 1/2	28	42	10 1/2	12 1/2	3 1/2	4 1/2	..
Soco-Vacuum Corp.	..	..	..	..	21	12 1/2	13 1/2	1
So. Cal. Edison	90 1/2	45 1/2	72	40 1/2	24 1/2	12 1/2	32	2
Standard Brands	44 1/2	20	29 1/2	14 1/2	23 1/2	12 1/2	15 1/2	1.80
Standard Gas & Elec. Co.	248 1/2	73 1/2	129 1/2	53 1/2	83 1/2	29 1/2	37 1/2	3 1/2
Standard Oil of Calif.	81 1/2	51 1/2	75	42 1/2	51 1/2	28 1/2	32 1/2	2 1/2
Standard Oil of N. J.	83	48	94 1/2	43 1/2	52 1/2	28 1/2	33 1/2	2
Stewart-Warner Speedometer	77	30	47	14 1/2	21 1/2	4 1/2	7 1/2	..
Stone & Webster	201 1/2	64	113 1/2	37 1/2	54 1/2	13 1/2	16	2
Studebaker Corp.	98	38 1/2	47 1/2	18 1/2	28	9	15 1/2	1.80
T								
Texas Corp.	71 1/2	50	60 1/2	28 1/2	36 1/2	15	18 1/2	2
Texas Gulf Sulphur	85 1/2	42 1/2	67 1/2	40 1/2	55 1/2	20 1/2	28 1/2	3
Tide Water Assoc. Oil	23 1/2	10	17 1/2	5 1/2	9	3 1/2	4	..
Timken Roller Bearing	139 1/2	58 1/2	89 1/2	40 1/2	89	19 1/2	23 1/2	2
U								
Underwood-Elliott-Fisher	181 1/2	82	138	49	75	23 1/2	23 1/2	3
Union Carbide & Carbon	140	59	106 1/2	52 1/2	72	27 1/2	33 1/2	2.80
United Aircraft & Trans.	162	31	99	18 1/2	38 1/2	12 1/2	15 1/2	..
United Corp.	75 1/2	19	52	13 1/2	31 1/2	10 1/2	12	..
United Fruit	158 1/2	99	105	46 1/2	67 1/2	28 1/2	30 1/2	3
United Gas Imp.	59 1/2	22	49 1/2	24 1/2	37 1/2	19 1/2	23	1.20
U. S. Industrial Alcohol	243 1/2	95	139 1/2	50 1/2	77 1/2	20 1/2	33 1/2	..
U. S. Pipe & Fdy.	58 1/2	12	38 1/2	11 1/2	37 1/2	11	14	2
U. S. Realty	119 1/2	50 1/2	75 1/2	25	36 1/2	9	9	..
U. S. Rubber	68	15	35	11 1/2	20 1/2	5 1/2	6 1/2	..
U. S. Smelting, Ref. & Mining	72 1/2	29 1/2	36 1/2	17 1/2	25 1/2	12 1/2	15	1
U. S. Steel Corp.	261 1/2	150	198 1/2	134 1/2	182 1/2	62 1/2	65 1/2	4
V								
Vanadium Corp.	116 1/2	37 1/2	143 1/2	44 1/2	76 1/2	13 1/2	18 1/2	..
W								
Warner Brothers Pictures	64 1/2	30	80 1/2	9 1/2	20 1/2	4 1/2	4 1/2	..
Western Union Tel.	272 1/2	155	210 1/2	122 1/2	150 1/2	58	58	6
Westinghouse Air Brake	37 1/2	26 1/2	31 1/2	36 1/2	36 1/2	16	18 1/2	2
Westinghouse Elec. & Mfg.	295 1/2	100	201 1/2	89 1/2	107 1/2	37 1/2	38 1/2	2 1/2
White Motor	53 1/2	27 1/2	43	21 1/2	28 1/2	7 1/2	12	..
Woolworth Co. (F. W.)	103 1/2	82 1/2	73 1/2	51 1/2	72 1/2	42 1/2	50 1/2	4.40
Worthington Pump & Mach.	137 1/2	43	169	47	106 1/2	20	28 1/2	..
Y								
Youngtown Sheet & Tube	143	91	150 1/2	69 1/2	78	19	124 1/2	..

† Bid Price. ‡ Payable in stock.

New York, New Haven & Hartford

(Continued from page 147)

earnings steadily and severely declining, this was a big amount to take out of the treasury. Consequently, toward the end of 1930, it was necessary to borrow \$7,500,000, of which amount \$1,500,000 was paid early this year.

If times were different and the common stock were not selling at such a big discount from par, New Haven could finance this and other obligations, and provide new working capital as well, through the sale of common stock to its holders. In April, 1930, they authorized \$50,000,000 of that issue and a like amount of bonds convertible into it. Earnings and stock market conditions in the meantime have not favored financing through either of these means. It may be necessary to reduce the common dividend again.

The balance sheet of New Haven as of June 30 of this year discloses the extent to which its treasury position had been weakened. While total assets had increased from \$598,803,850 to \$600,014,413 current assets were down from \$26,944,382 to \$25,206,003 and exceeded current liabilities by only \$237,606, whereas a year earlier the difference was \$10,735,113. Obviously, with working capital of only \$237,606 on a railroad of over 2,000 miles of line, something will have to be done to raise more money, particularly as earnings are still decreasing. The balance sheet as of September 30 show current liabilities of \$26,754,645, against current assets of \$22,069,948. Under such circumstances New Haven has pursued the same course as many other roads this year, that is, it has borrowed from the banks. A fortunate and strong feature of New Haven's capital structure is that it has no large maturities until 1940.

A word about market quotations for New Haven common. In 1923, it sold at 95%, with no dividends being paid or in sight. In 1929, it touched 132½, with the stock on a \$6 basis. This year it dropped to 30¼ when the dividend was cut to \$4, and sold recently below 29. A further reduction of the \$4 rate is by no means impossible. However, when the general business situation is straightened out, and railroad earnings improve, New Haven stock, both common and preferred, is destined for very substantial improvement.

According to the latest records, Pennsylvania Railroad still owns over 200,000 shares of New Haven stock, Pennroad Corp. approximately 175,000, making a total of more than 375,000 shares.

What will come of this situation no one can foretell now. It is unlikely that Pennsylvania will take any important step with respect to its New Haven holdings in the near future. It is equally doubtful that a plan for a purely New England system of railroads will be brought out until the I. C. C. acts on the proposed four-system grouping for the railroads in eastern territory, that was recently filed with that body.

We have shown what New Haven has been able to do under favorable and adverse conditions. Similar results will be possible again under corresponding conditions, however the road may be owned or grouped.

The Time to Buy Stocks for Investment

(Continued from page 151)

venient to give first consideration to the technical condition of stocks you examine, and then weigh their industrial prospects. In sizing up the industrial outlook for a company you should take normal seasonal movements into account as well as the cyclical outlook,

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and in the order mentioned. Other considerations being equal, preference should be given to industries which would normally look forward to seasonal improvement within a few weeks, and then accord second weight to prospects that there will soon be a genuine and more lasting change for the better. If the company whose stock you are thinking of purchasing has just booked substantial new orders, or effected conspicuous economies of operation, or has made some new discovery—so much the better. Of course directly opposite circumstances would guide you in deciding what issues to sell short.

Studying the Technical Position

And now here is a quick and simple method of selecting stocks which are in strong technical condition, near the bottom of a decline in the general market; or in weak technical condition near the top of a general rise in the market; which the writer has found very serviceable. In outlining the technique we would caution the reader that no rules for trading and investing in the stock market are infallible.

One great merit of the following procedure is that it enables you to pick out a handful of strong or weak stocks on short notice, and from this narrowed-down list it becomes relatively easy to make final selection with a minimum waste of effort. Here is how it is done:

First keep a note book, ruled into columns for each Saturday of the year. On the first line enter for each week THE MAGAZINE OF WALL STREET'S Common Stock Price Index (Combined Average). Beneath this it will be helpful to enter the group indexes for industries in which you may be interested. Then devote one line to weekly closing prices for each of as many common stocks as you care to consider in the light of possible future trading media—the more the better. In the accompanying table is a condensed sample of the entries.

It will be noted that Auburn is the only stock shown in the above table, although your note book would, of course, embrace the weekly closing prices of many other issues. Auburn has been singled out here to illustrate our method of selection; because, at the low point of the fall decline in 1930, it met the test for strong technical position in very striking manner and also, as we shall see later, had the seasonal and special influences all in its favor.

And now, with the note book before you, here is the rule for selecting stocks which are in strong, or weak, technical condition: "Stocks which are conspicuously stronger, or weaker, than the average are generally in strong

technical condition at the bottom of a declining market; but in weak technical condition at the top of an advancing market." Ordinarily the higher priced stocks show their technical strength, or weakness, by resisting declining tendencies in the general averages; whereas low priced stocks disclose their technical condition through greater than average weakness.

The rule is easiest to apply when the market makes double or triple tops or bottoms, a formation which, fortunately, occurs rather commonly. In the sample note book entries just given, it will be observed that the Combined Average made three bottoms before turning upward. These are marked "x" in the table, and occurred on November 8, December 13, and December 27. Each bottom was lower than the preceding bottom. Now compare this with the behavior of Auburn, which was rising progressively and conspicuously while the Combined Average was making fresh lows. On technical conditions, Auburn was obviously a buy on December 27; and this conclusion was strengthened by the fact that the Automobile group as a whole failed to show so great weakness as the Combined Average on December 27.

The situation shows up even more strikingly on the accompanying chart, upon which we have also entered the confirmatory economic graph, labeled "Registration Difference." The latter curve shows the amount by which monthly registrations of Auburn and Cord cars exceeded, or fell short of, corresponding registrations for the previous year. It will be noted that the sharp rise in this curve during the Fall of 1930 offered a logical explanation for the stock's strong technical behavior. In using the registration figures you would be a little handicapped ordinarily by the fact that reports are not published until five or six weeks after the end of the month. In this instance, however, the company itself gave out advance information on production and sales in ample time to guide the investor. And finally, it may be observed that seasonal influences also favored the purchase of Auburn that December; for the production and sales of most automobile companies rise sharply for the first few months of a new year.

Persistent strength in Auburn during the last ten days of March and the first ten days of April, while the Automobile group index had plainly turned downward, combined with the seasonal decline in production which may be expected to set in about that time of the year, offered a strong hint to the agile investor to cash in his handsome profits, despite the fact that the Registration Difference curve con-

tinued to climb for a few months longer.

In using the method of detecting technical condition, just outlined, it should be pointed out that traders and investors will find THE MAGAZINE OF WALL STREET'S Price Index much more helpful than others which are published; because it is an unweighted average, and presents a comprehensive picture of price movements in the market as a whole.

Detroit Edison Co.

(Continued from page 139)

19.1% of the total outstanding, while American Light & Traction Co., itself a subsidiary of United Light & Power Co., owned directly or indirectly 257,841 shares or 20.3% of the total. American Light & Traction also owns Detroit City Gas Co., which does the gas business in Detroit and environs.

The common is currently selling for about 132 at which price it returns a yield of slightly more than 6%. In 1929 the price reached a high of 385. The present price represents about 15 times the current earnings, a fairly high ratio in comparison with the average for utilities, but about in line with that of the group of operating companies of which Detroit Edison is one.

What Is Ahead for Public Utility Holding Company Bonds?

(Continued from page 135)

All in all, both the electric and gas branches of the public utility business have held up remarkably well considering the intensity of the depression through which we have been passing. If general business grows worse, the utilities will probably continue the gradual downtrend of the past year and one-half, but the essential nature of the two major branches, electricity and gas, is a factor which will operate to prevent a serious decline in these services, that is to say, one more rapid than has been shown to date.

In the meantime, what is the position of the public utility holding company bonds? Gross earnings of the utility systems have been declining slowly and, depending on the type of territory of operation, in varying degree. Recent monthly earnings reports, however, indicate that although the downtrend in gross has not yet been definitely halted, many of the systems have expenses so well in hand that net

earnings are actually beginning to show increases over the corresponding months of last year. This is, of course, a point in favor of the holding company bonds, because when the period of business recovery is ushered in, the increase in gross should be largely carried over to net earnings and so strengthen the position of the bonds.

Just how some of the more important holding company bonds now stand with respect to earnings is shown in the accompanying table. The most recent earnings statement available is used to determine the extent to which interest and underlying charges are covered, on an "over-all" basis. That is to say, the interest requirements of the holding company bonds are lumped together with interest on operating company bonds, preferred dividends of underlying companies, and minority interest in the subsidiaries, and the number of times this total is covered is then determined.

It will be seen that in some cases the margin of earnings over and above these requirements is not very large. A good ratio and one which indicates a fair degree of safety is 1.50. This means that net earnings can drop 50% and interest requirements of the holding company bonds will still be covered. If the ratio in any particular instance is under this, the bond may still be perfectly sound, but its earnings position on the face of the figures would obviously not be a strong one.

The present low prices of many of the holding company bonds throws a veil of doubt around them. Their present status is unquestionably speculative and therefore they are not suitable mediums for investment on the part of the average bond buyer. But for those who can afford to assume a greater degree of risk, however, a high income yield is offered as well as the possibility of profit. Many of these issues appear unwarrantably low. Poor distribution originally and lack of buyers during periods of market weakness have contributed toward establishing the present quotations.

Recovery Prospects Brighten for Oil

(Continued from page 142)

that the industry could rapidly swing into the prosperity column.

With any improvement in earning position, securities of leading oil companies which are now not only thoroughly deflated but depressed to extreme levels would soon respond and stocks of the strongest and best integrated corporations might be advantageously acquired when general market conditions justify.

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Congress Brings a Political Crisis to Deal with the Economic Crisis

(Continued from page 122)

to giving big business a chance to recover prosperity providing it shares it with the public. While the temporary suspension is on Congress is supposed to be working out a permanent plan that will protect the public and yet give reasonable freedom to reasonable restraint of trade.

There will be many bills for the relief of agriculture. The Farm Board is due for an overhauling but not for abolition. Some members of Congress would like to see it have a billion dollars and power to purchase the entire agricultural surplus of the country and sell it abroad, the billion dollars to be kept intact as a revolving fund by a tax on its beneficiaries. The export debenture idea is to be revived and will have a good show of passing, but will have to compete with the familiar equalization scheme. The Federal Land Banks will have their capital increased—out of the Federal treasury at first.

While the farmers are being helped there will be various efforts to discipline the public utilities. The Progressives have a long program to that end—such as Federal regulation, experimental public utility plants and system to compete with the private plants, including one or more publicly owned and operated railways. Some means may be devised to tax the holding companies out of business. Muscle Shoals will be up again. Much will depend upon the recommendations and findings of the Federal Trade Commission when it gets to the end of its long investigation of the utilities. In general, the Progressives are for public ownership of the utilities, including the railroads, and everything else that is a natural monopoly.

The tariff question is connected with the general drive against monopolistic wealth, but nobody knows just what to do about it. All other nations are now on a protective tariff basis or about to be. Even the most radical low tariff men concede that a general revision downward with all the other nations raising their tariffs is dangerous. Then, there is the alarming

fact that there are some two thousand of American-owned factories abroad. A low tariff would turn American capital and industrial skill abroad to an assault upon American industry at home. One plan to meet the situation is that of Rep. Rainey of Illinois, who advocates a reciprocity tariff. The basic law would be low-tariff but it would not apply to any nation that does not correspondingly lower its tariff. This plan contemplates world-wide downward revision of tariffs. Another proposal is to repeal the 1930 tariff law and go back to the previous Fordney-McCumber act. Still another proposal is for a flat 10 per cent reduction. The Tariff Commission is probably in for a revision that will make it an adjunct of Congress instead of the presidency as at present. There will be many special tariff bills, some up and some down. Of the former the tariff on petroleum is the most promising of success.

The prospects for a copper tariff are not so good but a deal with the farm bloc might put it over.

The abandonment of the gold standard by England and other countries has had the effect of reducing our tariff 20 per cent or more on their exports to us. At the same time there is a feeling among many traditional high tariff exponents that the turning of England to a protective tariff raises the question of whether we have not carried "the American system" too far. But both sides concede that tariff legislation as a whole is no longer a mere question of up or down but is rather one that must be treated in studied relation to the world tariff situation. Consequently no disastrous doctrinaire changes may be expected.

Associated with tariff revision is the question of reparations and the inter-governmental debts. The pressure to pay them considerably offsets tariffs. They put a premium on imports. At

the same time sentiment in Congress is overwhelmingly against any moratorium or revision except the one-year moratorium to which the President has already committed the nation. Congress views revision or cancellation as simply a shifting of war costs onto the American taxpayers. Nothing but universal disarmament in return would tempt Congress from insisting on full payment.

A new national corporation along the lines of the War Finance Corporation is talked of to help melt frozen credits. The President has formally announced a scheme for a system of mortgage loan rediscount banks, mainly to relieve the distress of the small home owner and encourage home-building in the future. The prospect for its adoption is good. To further help the present mortgage credit situation Senator Bulkley has a plan for giving the Farm Lands Banks a couple of billion dollars, but it probably will not get far. It appeals to many classes, however, for the loans would not be limited to frozen farm credits.

Probably every member of Congress has some sort of a bill inspired by the present business situation. Some will be purely destructive, others wholly constructive. Few of them will pass.

All of them will be confronted by the presidential veto power. That veto power will not be exercised, however, as Cleveland used it twice to put himself out of office. The President may approve some measures that he does not favor, for this is an election-year Congress. On the other hand there is a probability that on some measures that may be too raw for him, his veto will be overridden.

Prohibition is bobbing up as an economic relief proposal rather than as a moral and political issue. The wets claim some sort of wetness for 170 members of the lower house and a vigorous drive will be made for a

national referendum. Full cash payment of soldier bonus certificates will be prepared and rejected. Railway consolidation will probably bob up in some form, and the railway unions will drive for a six-hour day, and a pension system that will somehow be tied into legislation and thus made a matter of law instead of corporation benevolence. The trucks and buses will probably be subjected to Federal regulation under the Interstate Commerce Commission; relief for railway bonds will be proposed and rejected. Communications—telephone, telegraph, cable and (Please turn to page 173)

Who Pays the Personal Income Taxes?

The returns in 1930 for 1929 incomes revealed the following figures regarding personal income tax-paying groups. Note that 504 persons in the millionaire group paid more than twice as much as the 2,426,718 people in the group having incomes of \$50,000,000 or less.

Income Groups	No. of Persons	Tax
Under \$50,000	2,426,718	\$86,566,787
\$50,000 to 100,000	23,949	160,007,077
\$100,000 to 150,000	6,340	98,961,978
\$150,000 to 200,000	5,268	157,934,991
\$200,000 to 500,000	1,622	96,255,357
\$500,000 to 1,000,000	967	105,193,713
\$1,000,000 and over	504	186,144,252
	28,650	\$901,063,787

Answers to Inquiries

(Continued from page 159)

Roller Bearing Co. thus far during the current year have declined materially from those of a year ago. Earnings for the third quarter of the year have been officially estimated at about \$350,000 or 15 cents a common share, compared with 48 cents a share in the June quarter and a like amount on a slightly larger number of shares outstanding for the third quarter of 1930. Based on the foregoing estimate net income for the nine months ended September 30, last, was approximately \$2,800,000 or \$1.17 per share of common stock, in contrast with actual net of \$7,287,653 or \$3.02 a share reported for the corresponding period of last year. The perfection of anti-friction bearings for railroads has reduced the dependence of Timken on the automotive industry for its revenues, but by far the greater part of income is still derived from sales to automobile manufacturers. However, the importance of this innovation during ensuing years, is evidenced by an order of \$400,000 placed with the company by Pennsylvania R. R. last summer. Nevertheless, immediate prospects for Timken are somewhat clouded by the uncertain outlook of general industrial conditions, and little, other than seasonal earnings recovery, is anticipated during the final three months of the year. While we are inclined to counsel the temporary postponement of commitments, the strong financial condition, capable management, and favorable long term prospects, suggest the advisability of retention of the shares purchased at higher levels.

SIMMONS CO.

I have learned that Simmons Co. has effected substantial operating economies during the current year, and that 1931 results will exceed those of last year. With this thought in mind, is not the common stock of the company a good buy at present prices? Your opinion will be appreciated.—T. F. B., Cleveland, Ohio.

Had Simmons Co. confined its activities to its original line of products, instead of expanding into other related fields, the company probably would have been able to make a more favorable showing during the current depression. However, the acquisition of Berkey & Gay Furniture Co., effected in the latter part of 1929, has proven an unprofitable investment and has contributed to the present unsatisfactory status of Simmons. Interest payment on the first mortgage 6% serial bonds of Berkey & Gay due November

15, last, was not paid at that time. Efforts were made during the early part of the current year to sell this unprofitable unit, which proved fruitless. The company then followed another alternative—the complete write-offs of this investment and the closing of the plants—thus minimizing further losses from that department. Although this action may be regarded as conservative, curtailed buying power of the general public is likely to restrict sales and profits of Simmons for some time to come. As a matter of fact, dollar sales volume for the first ten months of 1931 was 26.7% below that of the like months of last year, while the same item for last October was 30.7% under the corresponding month of 1930. No doubt, operating economies effected during the year will allow a more favorable profit showing in comparison with last year; but substantial recovery of earning power is likely to be a long drawn-out affair. While we do not question the ability of the company to weather the depression since financial condition is reported to be satisfactory, we see little incentive to purchase the shares in the face of remote profit possibilities.

GENERAL THEATRES EQUIPMENT, INC.

Among my holdings I have a substantial commitment of General Theatres Equipment common. Will you kindly enlighten me as to the present situation of this company, and advise me whether to maintain my present long position?—J. E. P., Baltimore, Md.

In April, 1930, General Theatres Equipment, Inc., acquired, through purchase, controlling interest of Fox Film Corp. Inasmuch as by far the greater part of income is normally derived from dividends on its Fox Film holdings, any discussion of General Theatres necessarily involves consideration of that enterprise. Although Fox Film ranks as one of the leading enterprises in the motion picture industry, management difficulties, coupled with heavy capitalization as well as generally unsatisfactory business conditions, have made substantial inroads in the earnings of the company. The latter two elements, as a matter of fact, were responsible for the reduction of dividends to a quarterly basis of 62½ cents in July of this year, and the subsequent omission of dividend payments last October, with rather remote prospects for resumption. Of General Theatres total income for the initial half of 1931, which amounted to \$2,447,393; \$2,193,673 consisted of dividends received from its Fox Film holdings. Thus, it can be seen that with the decrease of income from that source in the third quarter and complete absence of such revenues in the final three

months, full 1931 returns of the company are likely to be negligible. Moreover, since financial condition is admittedly weak, prospects for General Theatres Equipment over the medium term, at least, are rather dubious. Therefore, we see no particular inducement to retain the common shares, and suggest that you take the proper action accordingly.

KENNECOTT COPPER CORP.

Unfortunately I bought 250 shares of Kennecott Copper in 1930 at about 50, thinking it might approach its 1929 prices. Is there any hope that the proposed conference to limit copper production will help prices? Does Kennecott produce enough silver to be benefited by the increase in the price of silver? Will you tell me frankly if you advise me to continue to hold or shall I take my loss now? Can the \$1 dividend be maintained?—F. M. J., New York, N. Y.

Demand for copper during the past two years has shown a constant downward trend, and at present constitutes only emergency requirements. On the other hand, important producers of the red metal have failed thus far to effect any material check in the needless production, with the result that the industry not only finds itself in a chaotic condition, but confronted with what appears to be a prolonged period of extremely low copper prices. An international conference of producers has been in progress during the last few weeks, with the end in view of establishing a world-wide copper cartel. At this writing, a deadlock exists, and from all indications little, if any, benefit will come of the meeting. With copper prices of 6¾ cents a pound prevailing, a figure below actual production costs of the low cost producers, it is apparent that only the strongest of units in the industry can hope to weather the storm. Such is the position of Kennecott Copper Corp., the second largest copper mining enterprise in the world. Following the downward course of copper prices, the management of Kennecott exerted every effort to reduce operating expenses and current cost of production is said to be slightly under 7½ cents a pound. Little, if any, silver is contained in the company's properties, which are located in the Republic of Chile, State of Utah and Alaska, and recent advance in silver prices will have no effect on income. The acquisition of Chase Brass & Copper Co. in 1929 afforded a fabricating outlet; but the trend of copper prices is still the governing factor in earnings. However, the strong financial position built up during the boom years places Kennecott in an exceptionally unique position to withstand the current period of recession. Moreover, the slightest improvement of price structure and de-

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of November 18, 1931

Name and Dividend	1931 Price Range		Recent Price	Name and Dividend	1931 Price Range		Recent Price
	High	Low			High	Low	
Aluminum Co. of Amer.	224	70	76½	Hudson Bay M. & S.	6½	2	3
Amer. Commonwealth Pr-A (8½% 10%)	17	2½	2½	Humble Oil (2½)	72	47½	52
Amer. Cyanamid B.	12½	3½	4½	Internat. Pet. (1)	15½	7½	11½
Amer. Lt. & Tr. (2½)	54½	20½	28	L. I. Light. (.60)	36½	17	22½
Amer. & Foreign Pwr. War.	31½	4½	7	Mid West Util. (8% stk.)	25½	8	10
Amer. Gas Elec. (1)	97½	52½	45½	Newmont Mining	58½	13½	17
Amer. Superpower (.40)	19½	5	5½	Niagara Hudson Power (.40)	15½	6½	8
Assoc. Gas Elec. "A" (8½% 2/25)	29½	5½	6½	Niagara Hudson Pwr. A war.	3½	½	1
Brazil T. L. & P. (1)	28½	7	10½	Northern States Pr. A (8)	152½	80½	92½
Central Stat. El. (10% stk.)	12½	3	3	Pennroad Corp. (.40)	8½	3½	3½
Cities Service (.30)	20½	5½	7½	Public Util. Holding Corp. of Amer. (x. war.)	6½	1	1
Cities Service Pfd. B (.60)	7½	4½	5½	St. Regis Paper (.60)	21½	5½	6½
Commonwealth & South. War.	2½	½	¾	Selected Ind.	4½	1	1½
Cord Corp.	15	4½	7	Standard Oil of Ind. (1)	38½	15½	21
Deere & Co.	44½	8½	15½	Standard Oil of Ky. (1.60)	23½	13½	16½
Durant Motors	3½	½	1	Swift & Co. (2)	30½	20½	23
Elec. Bond Share (6% stk.)	61	14½	18	Trans Lux	13½	1½	2½
Ford Mot. of Canada A (1.20)	29½	8½	14	United Founders	10½	2	2½
Ford Motors, Ltd. (.36%)	19½	5½	7½	United Lt. & Pow. A (1)	34½	8½	10½
Fox Theatre, A	6½	1	1½	United Gas Corp.	11½	2½	2½
Goldman Sachs T.	11½	2½	2½	U. S. Elec. Pwr. (w. w.)	8½	1½	2½
Gulf Oil (1.5)	75½	38	48	Utility Pow. & Lt. (1.02½)	14½	3½	5
				Woolworth (F. W.) Ltd. (.36)	12½	5½	8½

Steel Must Turn to Salesmanship

(Continued from page 131)

cents a pound, it seems altogether improbable that the industry's way out can to any major degree lie in the direction of lower prices. This is particularly true if the price of lower operating costs is met at the expense of unsatisfactory return, or no return at all, on the capital tied up in an expansion of facilities for which there is no existing economic need.

Salesmanship Imperative

The way out, if there is a way out, is in a thorough change of method. Steel must go in for selling. It must turn to aggressive salesmanship, salesmanship that develops new markets where none existed before, if it is to get the wheels of its mills turning. It must concentrate on developing consumption at faster than the normal rate hitherto relied upon. It cannot indefinitely profit in simply taking the business that is handed to it, which, generally speaking, has been its passive policy heretofore. It must go after business, even if this involves, in some instances, replacing or cutting into competitive products, such as wood and cement.

It will have to exploit the arts of research and promotion much more effectively than has yet been done. There are few of the existing natural outlets of consumption that offer promise of any such expansion of demand as would automatically lift the steel industry out of its troubles. On pent up replacement demand alone the automobile industry should be due for a year or two of materially higher sales, but in relation to use of steel the automobile outlook for the next decade is certainly no more promising than that of the last decade, and is perhaps less so. There is no reason to expect it to take much more than the 17 per cent of steel output that it has recently been taking.

The railroads may be regarded as

REACTION on the New York Curb Exchange has in recent trading sessions gone substantially further than can be justified merely as a technical correction of the sharp rally which followed the market's dip to the October 5 low point. Prices in many instances have now approximated the former low and the decline has developed an increasing volume of transactions.

So far as the price movement is concerned, it is perhaps still possible to hope that the underlying decline will not be importantly extended and that, in fact, the outcome will be a "double bottom" from which a year-end recovery could be launched in anticipation of the seasonal business gains that the early months of 1932 will probably provide. Increasing volume as the lows are neared, however, is at least a warning signal that the former low price level may be vulnerable.

Oil shares thus far continue to give a relatively better performance than most other groups, doubtlessly reflecting higher prices for petroleum and petroleum products, as well as the benefits of the more effective production proration now being applied generally by the industry. Such issues as Gulf Oil, Humble Oil & Refining and

Standard Oil of Indiana have declined moderately from recent best prices but still hold substantially above the worst quotations of October 5.

The utility group continues to meet with the insistent pressure of liquidation and on the average is within close striking distance of a significant test of the October 5 prices. Electric Bond & Share, American Superpower and other holding companies are particularly out of favor, possibly reflecting fears of political attack.

Among miscellaneous issues, Aluminum Co. of America has duplicated its former low and A. O. Smith has come close to it, while the inactive J. B. Stetson, reflecting stagnant trade conditions, has fallen abruptly to a fresh low. Quotations of less than \$2 per share strikingly attest the loss of popularity of such former low-priced favorites as Canadian Marconi, Blue Ridge, Shenandoah and Selected Industries.

Correction

In our October 31st issue, page 32, a letter from a reader was erroneously signed J. H. Ashdown whereas the proper name was H. C. Ashdown.

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normally taking approximately 16 per cent of steel output. There is nothing in their outlook to indicate that the proportion will be substantially increased in future years. Nor is the export market particularly hopeful. We export only some 5 per cent of our steel production and material increase is unlikely, considering certain of the natural advantages of Germany, France and England, improved European technique in steel making and the barrier of endless tariff walls. As to tinplate, the outlook at best is obscure. Containers made of other materials, including some that represent the wizardry of synthetic chemistry, are becoming increasingly prominent. With general manufacturing capacity probably overbuilt for at least several years to come, steel demand from the machinery industry is not hopeful.

In short, approximately half of the existing steel demand does not appear subject to much long-term acceleration. In the other half there are some important possibilities. Consumption of pipe for oil and gas lines has by no means reached its limit and should prove an expanding source of steel revenues for some time, the pace of growth depending upon opportune conditions for financing. Agriculture, which now takes approximately 5 per cent of steel output, is probably subject to some future gain and is a field for intensive development, since the trend is unquestionably toward large scale corporate farming and more mechanized operation.

Lesser industries account for a miscellaneous demand amounting to approximately 20 per cent of total steel output. Any single method of increasing consumption of this variety is not apparent, although it is possible that by adjusting itself to give better service to these smaller customers the industry may moderately expand both volume and profits. In this connection, there is the possibility also that the industry can substantially expand the use of alloy steels, which are in their infancy. There is a broad opportunity here for research and for the more thorough application of alloy steels to highly specialized uses. Since these products are substantially higher in price than ordinary steels, the possibilities of profit are well worth exploring.

Finally, there is construction, which accounts for approximately 18 per cent of existing steel demand. While there is no housing boom in prospect, gains are likely in construction of steel highway bridges. Moreover, in the realm of practical fancy, the industry has an opportunity to adjust its products far more extensively than has yet been done to the needs of the small private dwelling. The use of steel for

(Please turn to page 170)

NOVEMBER 28, 1931

FINANCIAL NOTICES

Dividends

The North American Company



QUARTERLY DIVIDENDS

No. 111 on Common Stock of 2½% in Common Stock (at the rate of 1/40th of one share for each share held); and

No. 43 on Preferred Stock of 1½% in cash (at the rate of 75 cents per share)

Will be paid on January 2, 1932 to respective stockholders of record at the close of business on December 5, 1931.

Robert Sealy, Treasurer

MOTOR WHEEL CORPORATION

48th Consecutive Dividend

Lansing, Michigan
November 10th, 1931.

The Board of Directors today declared a quarterly dividend of twelve and one-half cents (12½c) per share on the common stock payable December 10, 1931 to stockholders of record November 20, 1931.

C. C. Carlton,
Secretary.

Canadian Pacific Railway Company

DIVIDEND NOTICE

At a meeting of the Board of Directors held to-day, a dividend of one and one-quarter per cent. on the Ordinary Capital Stock, for the quarter ended September 30, 1931, was declared payable December 31, 1931, to Shareholders of record at three P. M., December 1, 1931.

By order of the Board.
ERNEST ALEXANDER,
Secretary.

Montreal, November 9, 1931.

Dividends

Paramount Pictures

PARAMOUNT PUBLIX CORPORATION

NOTICE OF DECLARATION OF STOCK DIVIDEND

PLEASE TAKE NOTICE that the Board of Directors has this day declared a dividend of 2½% in Common Stock of this Corporation payable on December 31st, 1931, to stockholders of record at the close of business on December 4th, 1931. This dividend entitles stockholders to receive one-fortieth (1/40th) of one (1) share of Common Stock for each one (1) share thereof held at the close of business on the record date.

Stock certificates for full shares and scrip certificates, void after December 31st, 1936, for fractional rights to receive full shares, of Common Stock of the Corporation in payment of this dividend will be mailed on or about December 31st, 1931.

ELEK JOHN LUDVIGH,
November 9th, 1931 Secretary

GEORGE A. FULLER COMPANY MADISON AVENUE & 57TH STREET NEW YORK CITY

At a meeting held today, the directors of this company declared the regular quarterly dividend of one dollar and fifty cents (\$1.50) on each share of its Cumulative and Participating Prior Preferred Stock, issued and outstanding, payable on January 1st, 1932, to stockholders of record at the close of business on December 10th, 1931, and the regular quarterly dividend of one dollar and fifty cents (\$1.50) on each share of its Cumulative and Participating Second Preference Stock, issued and outstanding, payable on January 1st, 1932, to stockholders of record at the close of business on December 10th, 1931.

Dated, New York, November 10th, 1931.
B. M. FELLOWS, Treasurer.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

169th Dividend

The regular quarterly dividend of Two Dollars and Twenty-Five Cents (\$2.25) per share will be paid on January 15, 1932, to stockholders of record at the close of business on December 19, 1931.

H. BLAIR-SMITH, Treasurer.

MARKET STATISTICS

	N. Y. Times		Dow. Jones Aves.		N. Y. Times		Sales
	40 Bonds	30 Indus.	30 Rails	50 Stocks	High	Low	
Monday, November 9	74.22	116.79	55.57	104.95	100.85	3,053,823	
Tuesday, November 10	74.14	113.96	55.00	103.14	99.68	1,750,102	
Wednesday, November 11	74.10	112.01	55.20	101.96	98.55	1,493,011	
Thursday, November 12	73.99	111.95	53.93	101.55	98.65	1,441,972	
Friday, November 13	73.39	107.33	51.62	99.39	95.04	1,796,032	
Saturday, November 14	73.20	106.35	50.10	95.23	92.97	1,134,175	
Monday, November 16	72.94	104.76	49.08	95.23	91.69	1,512,555	
Tuesday, November 17	72.54	106.16	49.21	94.91	91.86	1,461,260	
Wednesday, November 18	72.39	101.69	47.53	93.51	89.59	1,675,309	
Thursday, November 19	72.09	101.25	47.50	91.83	88.44	1,509,356	
Friday, November 20	71.54	97.98	45.09	89.62	85.31	2,042,967	
Saturday, November 21	72.94	97.42	45.33	88.63	85.61	873,568	

Bank, Insurance and Investment Trust Stocks

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bank of America (2)	38½	40½
Bank of N. Y. & Trust Co. (20)	415	435
Bankers (3)	72½	74½
Brooklyn (20)	252	262
Central Hanover (7)	170	170
Chase (4)	48½	50½
Chatham-Phoenix (4)	30	32
Chemical (1.50)	38½	39½
City (4)	60½	62½
Corn Exchange (4)	84½	87½
Empire (3.20)	30½	32½
First National (100)	2360	2460
Guaranty (20)	338	348
Irving Trust (1.60)	22½	23½
Manhattan Co. (4)	45½	47½
Manufacturers (2)	39½	41½
New York (5)	108½	108½
Public (2)	26	28
United States Trust (70)	1840	1940

INSURANCE COMPANIES

Aetna Fire (8)	36½	38½
Aetna Life (1.20)	29½	31½
Carolina (1.50)	16	18
Continental (1.60)	17½	19½
Glens Falls (1.60)	37	39
Globe & Rutgers (20)	300	350
Great American (1.60)	18	19½
Hanover (1.60)	22½	24½
Hartford Fire (2.40)	46	48
Home (2)	19	21
National Fire (2)	40½	42½
North River (3)	22	25
Stuyvesant (1.50)	26½	31½
Travelers (20)	575	625

INSURANCE SHARES—Continued

	Bid	Asked
United States Fire (2.40)	30	34
Westchester (2.40)	26½	28½

SURETY AND MORTGAGE COMPANIES

American Surety	23½	26½
Lawyers Mortgage (2.80)	29	31
Nat. Title & Gty. (4)	15	20
National Surety (2)	18½	19½

JOINT STOCK LAND BANKS

Chicago	1	3
Dallas	5	..
Des Moines	1	3
First Carolina	1	..
Lincoln	10	15
Southern Minnesota	..	1
Virginia	20	40

INVESTMENT TRUST SHARES

American Founders Trust com.	..	..
Do 6% Pfd.	15	21
Do 7% Pfd.	18	23
Diversified Trustees Shares A.	..	..
Do Series B	7½	..
Fixed Trust Shares A.	8½	..
Interl. Sec. Corp. of Amer. Pfd.	..	..
Do A	5	..
Do 6% Pfd.	25	..
Do 6½% Pfd.	30	..
No. Amer. Trust Shares	3.15	..
Second Intl. Securities A.	2	..
Do 6% Pfd.	20	..
Shawmut Bank	2	4
U. S. & British Internl. A.	2	..
U. S. Electric Lt. & Fr. "A"	20½	22½

TRANSACTIONS in over-the-counter trading have tended to follow the downward trend of security prices recorded in the movement of stocks and bonds on the New York Stock Exchange. Many issues have slipped down very close to the former low price level, established on October 5, making it obviously impossible longer to maintain the hopeful assumption that bottom has been seen.

As on the listed markets, the most disturbing aspect of the over-the-counter market is the tendency toward increasing volume of sales as lower quotations are reached. Since short-selling is not a factor of importance in this market, it can only be assumed that liquidation is continuing.

Although there is no substantial volume of bank loans supported by unlisted collateral, the continuing liquidation by banks of collateral loans is indirectly a factor of pressure, for many investors called upon by their banks for more margin or for "taking up" loans are forced to resort to outright sale of such unlisted securities as they own. The extent of the banking liquidation

is not generally realized, the total of security loans having been whittled down by fully \$1,000,000,000 during the last five months.

Banking stocks have given up an important part of the recovery experienced by them as a result of recent higher interest rates but can at least count upon the Federal Reserve Board not to go back to the ineffective policy reflected last summer in interest rates as low as 1½ per cent. In other words, some part of the increase in earnings resulting from abandonment of the easy money policy should be retained and should act as a sustaining influence on bank stocks. There is, of course, a reasonable prospect of reduced dividends, but these have been rather generally discounted in prevailing prices. Typical of the general movement, Bank of Manhattan has declined from 51 to approximately 45.

Trading in the insurance company stocks is relatively quiet but the trend has been toward lower levels, with moderate heaviness in Aetna Life, Halifax, Westchester, Hartford Fire and Travelers.

(Continued from page 169)

framework, for floor beams and even for walls is beginning to find increasing favor.

It is perhaps in this potential market that the greatest long term opportunity for steel is offered. Otherwise, its hopes must rest largely upon the development of entirely new industries. Possibly the future will offer something equivalent to the automobile in industrial importance but this, of course, is entirely beyond the present reach of rational conjecture.

Burning the Latin American Candle at Both Ends

(Continued from page 127)

foregoing interest and amortization payments on Latin American governmental obligations alone for a period of say two years would result in an appreciation in the value of these securities greater than the amount of payments subject to such a moratorium. In other words by increasing Latin America's formal obligations by funding on a long term basis the amortization and interest payments due in the next two years,—an increase of about 13 per cent,—the actual present value of all these securities could be increased in a far greater degree while the saving of national assets now being wasted would give them an ultimate value which they will probably never have otherwise. The incidental effect upon the import trade of these countries and the export trade of the United States would do much toward restoring the more than \$500,000,000 decrease in export trade of the United States with these countries which the business of the current year witnesses as compared with 1929.

The problem of the governmental and banking agencies now considering the Latin American situation is that of easing the drain upon these countries until such time as either business recovery or a readjustment of their obligations will enable them to resume normal debt service without the extraordinary sacrifice and waste which is now going on. Only a long-term arrangement of pressing obligations and present debt service can afford that relief without which ultimate disaster is certain while co-operation and organization among foreign creditors of Latin America through the American and other financial houses concerned can, by amicable agreement, effect a far better arrangement of Latin American financial affairs than is likely to be forced upon them by the present course of events.

The Smaller Dollar

(Continued from page 153)

much cotton, corn, wheat, cattle or goods of any kind absorbed all the consuming power of so many millions that they could not consume as usual; that left an unused stock of goods; that closed factories, dropped prices, killed values—killed business and will kill nations if not acknowledged and corrected. For ten years the dollar and the pound have been getting bigger and bigger. If something is not done to give us a SMALLER dollar in order to get more DOLLAR VALUE in THINGS, all efforts to cure the malady will be about as effective as "sprinkling salt on a bird's tail" in order to catch it.—Gibbons Potett.

Trade Tendencies

(Continued from page 154)

place. Sulphur companies continue to make a fair showing under the circumstances for monopoly control has stabilized prices, although demand has fallen considerably. The decline in sulphuric acid demand may be attributed to the general depression as this commodity is used by nearly every industry. Production of explosives has declined about 18% from that of last year, but profits have receded still further. Indeed, the chemical industry, as a whole, has been much less profitable this year than last. Among the divisions making the best showing will be found commercial gas and oxygen manufacturing, sulphur and light chemicals.

DOMESTIC TRADE

Retail Business Quiet

The usual summer and fall seasonal increase in mail order sales failed to develop this year, and the business of the larger concerns for the first ten months of 1931 is about 15% less than for 1930. Better grain prices, however, have considerably augmented farm purchasing power so that mail order houses anticipate at least slightly greater activity, despite the fact that in the past few years the trend has been away from rural predominance in mail order purchasing.

The most encouraging reports have emanated from the chain merchandising systems specializing in 5-and-10-cent lines and practically all of these concerns have reported a steadily rising

trend in dollar volume of sales since last January. This is particularly favorable because the decline in many items of cost has very materially increased profit margins.

Chain restaurants have felt the effect of widespread public economy. In the case of the systems substituting cheaper menus, however, a marked rise in dollar sales has been reported in the past few weeks. But whether or not the high volume required to make a moderate profit in this division will be maintained, is reason enough for doubting the permanent effects of their temporarily successful policies.

Department store sales have displayed a declining dollar volume during the past two years but the decline was only moderate until the past summer. Prices have been cut in an effort to maintain volume but this always implies reduced profit margins, and earnings for this branch of trade are expected to make a somewhat poor showing.

The dull state of retail trade in general is revealed by advertising declines. To date magazine advertising has been about 20% under 1930 while radio and newspaper advertising has likewise declined since last year.

NATURAL GAS

Facing Increased Competition

The pronounced upward trend of natural gas consumption in recent years has been modified considerably during the first ten months of the current year. Although residential use of this fuel has been fairly well sustained, industrial consumption has abated considerably because of the competitive

effects of lower crude oil and coal prices. Moreover, field use of natural gas for carbon black and other materials has suffered a drastic decline in the past ten months. The utilization of natural gas for distilling natural gasoline has held up but the percentage used in this manner is relatively unimportant.

The increased competition to which natural gas has been subjected can be visualized by the drastic price reduction of certain substitute fuels. Steam run bituminous at the mine mouth in the Pittsburgh region has dropped from \$1.75 a ton in January of this year to \$1.40 a ton at present, a slump of 20%. Mainly on account of reckless petroleum drilling in East Texas and Oklahoma during the past year the average price of crude oil has dropped from the January quotation of 95 cents a barrel to 75 cents, although a price in the late summer months of 35 cents a barrel was reached. As natural gas rates are fixed by the public service commissions in the various states, practically no competitive alteration of selling price has been dared because of the difficulty in reinstating favorable rates when other fuels recover. Consequently the price to industrial users has continued at the rate of 25 to 35 cents a thousand cubic feet. A strong swing away from the use of natural gas for industrial purposes has been under way in the Pittsburgh region because of the price advantage held by other fuels. These conditions cannot fail to be reflected in the earnings of natural gas companies and will also have adverse effects upon the profits of those oil companies which are heavily interested in this fuel.

Final Stages of Depression

(Continued from page 129)

capacity could certainly not be far from a replacement basis, a view which is confirmed by the recent rise. The same is true of those industries which look to steel as the principal source of their raw materials, among which may be mentioned the automobile industry. Here, production has kept closely in line with actual sales, a steadily growing proportion of which can be shown statistically to be replacements.

The state of the machinery and electrical equipment industries appears worse than it really is, for it is contrasted with the boom years 1928 and 1929 when the country's tremendous expansion of plant capacity lifted them both to the heights. There is quite a little business, however, even at the

Important Corporation Meetings

Company	Specification	Date of Meeting
Adams Express Co.	Directors	11-30
Amer. Loco. Co.	Directors	11-25
Boston & Maine R. R.		
	All Classes—Pfd. Dividends	12-8
Brown Shoe Co.	Annual	12-10
Electric Bond & Share Co.	Special	12-7
International Paper Co.	Special	12-5
Lorillard (P.) & Co.	Annual	11-27
N. Y., New Haven & Hartford R. R.		
	Pfd. & Com. Divs.	12-8
Norwalk Tire & Rubber Co.	Special	12-7
Radio-Keith-Orpheum Corp.	Special	12-10
Remington Rand, Inc.	1st & 2d Pfd. Divs.	12-8
Scovill Mfg. Co.	Directors	11-27
Toledo Edison Co.	7% & 6% Pfd. Divs.	11-27
Warner Bros. Pictures, Inc.	Special	12-14
Warner Bros. Pictures, Inc.	Annual	12-14
Yale & Towne Mfg. Co.	Directors	11-30

present time, offsetting the ravages of wear and tear and this will naturally increase with every slight quickening in the tempo of general trade. Moreover, the future holds forth the prospect that they will be increasingly active in replacing obsolete equipment, as plants now shut down gradually open up again.

Things can hardly become worse than they have lately been in oil and agriculture, although in these two important raw material industries their present troubles can not be attributed to the external forces of depression. There has been no decrease in the demand for oil and oil products, neither has there been any falling off in the effective desire for the sum total of agricultural production. Their difficulty is essentially one of price and the recent evidence of its readjustment is one of few bright spots in the financial division of business.

There are a number of other industries, dependent inasmuch as they must look to raw materials and general manufacturing activity for their prosperity, which necessarily also must be close to bottom, for they are fulfilling no more than current needs for necessities. Chemical manufacturing, building and the railroads are in this class. Comparisons with past years in the chemical industry would be worthless, for so many fundamental changes have taken place in the meantime and that which may be classed as the minimum demand for chemicals is constantly moving upwards for reasons inherent in the business.

But this is not true of building and railroading, which are essentially the same as they were ten or more years ago. Outside "make-work" public construction, the country is not even holding its own in building. Homes are not being kept in proper repair while it has been said that two-thirds of the dwellings in the country are obsolete. Under these conditions can activity dwindle still further? As for the railroads, with carloadings down to the level of the last decade, despite a material growth of population and per capita desires, the bottom surely cannot be far away.

Yet, knowing that there has always been a limit to everything and that the industrial side of our economic order has been traveling at express speed for two years or more towards it, we allow ourselves to be blinded by the parasitical factor—finance. It is of course disturbing and conducive of very real hardship when banks fail, or when debts are not paid, or when taxes are raised. But if we could only remember the well-worn point that every bank note, every bond and every stock certificate could be destroyed without affecting one iota the country's real

wealth, we would be much nearer to seeing things in proper perspective. Is the tail to wag the dog forever, and taking stock of our buildings, our roads, our natural resources, our factories, shall they decay solely because the financial mechanism is not functioning as it ought?

Such a possibility is ridiculous. Let us look upon the current financial disturbances with greater calmness and consider with industry, wages and commodities certainly not far from being in balance again, that we have entered the last phase of dark depression.

When Banks Go Back to Banking

(Continued from page 124)

dollars in the past five months but still amounts in total, to but little less than 6 billion dollars and is probably not yet at the desired minimum.

It is likely that the present caution being displayed by the banks in granting collateral loans is not a temporary matter. Unless a new generation of bankers forgets the lesson, which will require some time, collateral loans in future will be more conservatively handled and probably will utilize a smaller proportion of banking assets than in recent years.

Of the entrance of many banks, including some of first rank, into direct security promotion through affiliated companies little good can be said. It

is increasingly admitted that this was a mistake and the present banking trend is toward voluntary correction. If this should not prove sufficiently effective it can be taken for granted that the security affiliate will receive legislative attention. The Comptroller of the Currency has already recommended that, in the case of national banks, security affiliates should be brought under the same supervision as is applied to the controlling banks.

Such organizations attained vast magnitude in the years 1928 and 1929. Banks seized the opportunity to profit out of the securities boom. Indeed, there can be little question but that the operations of banking affiliates were substantially responsible for exaggerated inflation of stocks. The public relied upon the established reputation of the sponsorship behind the affiliates, countless thousands regarding a recommendation from such sources as sound banking advice, rather than the mere merchandising of securities for profit. The affiliates earned fat profits and contributed the chief impulse to a wild inflation in bank stocks. Easy profits in securities distribution, of course, have now vanished and will not soon return.

It is significant that those banks which have stuck sedulously to commercial banking, foregoing the profits of stock promotion, are in far stronger position than the average and have been abundantly repaid for their conservatism in a sustained prestige and in the increased confidence and respect of their customers.

The record of the affiliated ventures of Bank of United States, of Transamerica Corp. and of others will stick long in the public eye but does not complete the picture. Loaded up by affiliated security companies with inflated stocks by all of the dubious arts of high-pressure salesmanship, customers of some of the larger banks, of unquestioned solvency, have little to be grateful for.

It is, accordingly, not surprising that the trend appears definitely away from security affiliates as a branch of commercial banking. The Chatham Phenix National Bank & Trust Co. has recently discontinued the securities distribution business of its affiliate, the Chatham Phenix Corp. Similarly, the powerful Bankers Trust Co. has recently absorbed the affiliated Bankers Co. into its bond department.

All of the country's banking difficulties, of course, are by no means traceable to the boom era of high and careless finance. In 1930, 934 banks failed, with total resources of more than \$900,000,000. During the first nine months of this year 823 banks have failed, involving resources of slightly more than \$700,000,000. But

Important Dividend Announcements

NOTE—To obtain a dividend directly from the company, the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Annual Rate	Amount Declared	Stock Record	Payable
\$6.00 Amer. Rad. & Stand. Sanitary	\$1.16	Q 12-11	12-31
3.00 Beech-Nut Packing ..	.75	Q 12-12	1-1
5.00 Brooklyn Union Gas ..	1.25	Q 12-1	1-2
1.25 Canadian Pacific Ry. ....	.31¼	Q 12-1	12-31
7.00 Coca Cola Co.	1.75	Q 12-12	1-2
.... Coca Cola Co. ....	.25	Ext 12-12	1-2
5.00 Eastman Kodak Corp.	1.25	Q 12-5	1-2
.... Eastman Kodak Co. ....	.75	Ext 12-5	1-2
2.00 General Asphalt .....	.50	Q 12-1	12-15
.... Jewel Tea Co. ....	.50	Ext 12-1	12-15
1.00 Kresge (S. S.) Co. ....	.40	Q 12-11	12-31
1.20 Marine Midland Corp. ....	.30	Q 12-1	12-31
2.00 National Dairy Prod. ....	.65	Q 12-3	1-2
Stock North Amer. Co.	2¼%	Q 12-5	1-2
Stock Param't Pub. Corp.	2¼%	Q 12-4	12-31
3.40 Pub. Service of N. J. ....	.85	Q 12-1	12-31
2.00 Texas Corp. ....	.50	Q 12-4	1-1
10.00 Union Pacific R. R.	2.50	Q 12-1	1-2

this is not entirely a new story. In the prosperous period between 1923 and 1929 American banks failed at rates ranging from 277 to 613 institutions per year and total resources involved in insolvency per year ranged but little under \$200,000,000.

But while a startling proportion of banks have failed, total resources involved make up but a very small proportion of the total banking assets of the country. Disaster has fallen overwhelming upon small rural banks in agricultural areas. The reasons are varied. One of them is single-base operation in a depressed industry. Another is the development of the automobile and better highways, making available to farmers the better banking facilities of urban communities at the expense of a loss of patronage by rural banks. Another is the penetration into rural areas of chain stores and of absentee-owned and absentee-controlled public utility and other business enterprises, which tend to bank in larger centers. In addition, as in other fields of enterprise, the lure of possible profits unquestionably caused the establishment of many banks which had scant economic reason to exist.

The enforced backward drift now is toward a smaller number of better banks, accompanied by a growing demand for extension of branch facilities of large banks into their natural trade areas. The fundamental result of the wholesale elimination of weak banks can only be to strengthen the general banking structure, although the temporary cost has been an indiscriminating lowering of public confidence in banks generally.

While there is likely to be no boom in corporate financing during the next few years, business revival will involve at least a moderate increase. Since it will hardly be possible to float securities as easily as during recent years, corporations must resort increasingly to bank loans. Moreover, depression and the payment of unearned dividends have already cut into the vaunted corporate surpluses of 1929 and some companies, notably New York Central, have already had to go back to bank borrowing. This means that banks can go back to banking.

There is healthy consolation in the fact that the bank of today is a far better bank than it was two years ago and in the probability that it will be a still better bank in the next period of business reconstruction. Possibly, with less emphasis upon security and real estate financing, it will be difficult for it to find adequate profit in a return to first principles of commercial banking, but it will at least encounter fewer losses in so doing and, in the ultimate analysis, banking safety rather than banking profit must rule.

Congress Brings a Political Crisis to Deal with the Economic Crisis

(Continued from page 166)

radio—will probably be put under a new commission with teeth. The Kendall bill to make possible the exclusion of all imports from Russia will receive serious consideration. Silver as a factor in inflation and business relief will come in for much sympathetic consideration but the old 16-to-1 go-it-alone nonsense shows no signs of resurrection. The President will probably be instructed to call an international conference to consider the improvement of the price of silver as a commodity and its increased utilization in subsidiary coinage, together with international restoration of the bimetallic standard.

On the whole it will be a Congress of battles, battles in each house between factions and parties, battles between the houses, battles of Congress with the President. But neither Congress nor the President will dare go to the country with nothing but futile deadlocks. Despite the multiplicity of cooks and their conflicting recipes there will be a lot of legislation—good, bad and indifferent; but always aimed at being popular and productive of votes. On the nature of the grist and the credit that can be cornered for it pivots the control of the nation for two and perhaps four years.

The claims of business in the narrower sense will be considered mainly in the light of public interest as the undulating control of Congress may see it. As usual in recent years, the House will be more conservative than the Senate, despite Democratic control. The Democratic leaders are disposed to be wary and cautious in analyzing the ultimate vote-making potentialities of measures born of the passions and unrest of the moment. To this condition must be added, in all fairness, the fact that the gravity of the times has imbued almost all members with a sincere desire to legislate constructively just as far as the limitations of party government will permit.

For Features
to Appear in
the Next Issue
See Page 113

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them in numerical order. We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

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John Muir & Co., members New York Stock Exchange, are distributing to investors their booklet "Odd Lot Trading," which explains the many advantages diversification offers to large and small investors. (225).

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A summary of the general financial and business situation, published every week by J. S. Bache & Co., 42 Broadway, New York. Sent on application. In writing please mention the Bache Review. (290).

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An interesting discussion of the specialized field together with information about the Course of Training being adopted by scores of the leading investment houses for their salesmen. (470).

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The Investment and Business Forecast, a security advisory service, conducted by The Magazine of Wall Street, definitely advises subscribers what securities to buy or sell short and when to close out or cover. (783).

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The handbook on Trading Methods, issued by Chisholm & Chapman, contains much helpful information for traders. A copy will be sent to you upon request together with their latest Market letter. (785).

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An old established New York Stock Exchange house invites the purchase of high grade listed securities on monthly time payments. Descriptive booklet of plan sent on request. (813).

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Subscribe to the monthly installment shares of the Serial Building Loan & Savings Institute, a building and loan association operating under strict state supervision. Send today for descriptive literature. (835).

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The most logical form of investment profit insurance is represented by the personal and continuous counsel rendered by the Investment Management Service. Write for full information. No obligation. (861).

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Is the title of a booklet issued by Bell Telephone Securities Company, which will give you some interesting information on this giant public utility. Send for your complimentary copy. (875).

"A CHAIN OF SERVICE"

describes and illustrates the history and development of the Associated Gas and Electric System. A complimentary copy will be forwarded simply by requesting 884.

ELECTRIC BOND AND SHARE COMPANY

Do you desire information or reports on companies identified with the Electric Bond and Share Company? Full information on any of them will be gladly furnished upon request. (898).

"MAKING MONEY BY DEALING IN MONEY"

Is the title of an interesting booklet recently prepared for distribution by Credit Service Associates, Inc. Your complimentary copy will be forwarded upon request. Simply ask for 902.

"SERVING 9,000 COMMUNITIES"

A 26-page illustrated booklet, issued by Henry L. Doherty & Co., describes the widespread activities of Cities Service Company, the stable character of the business, consistent growth of earnings and ability to emerge successfully from economic depressions. (908).

SINCE CALVARY

By LEWIS BROWNE
The Macmillan Co.

WHILE the history, development and meaning of Christianity are undoubtedly best left to the theologians who can track down each and every fact to the ancient Greek, Latin, or Hebrew in which it was first written, still there are a large number of us whose questions and doubts deserve some consideration. It is well for this large faction that Mr. Browne has written his latest book.

Since Calvary traces the development of Christianity from immediately after the Crucifixion down to our own time. We find that Jesus had been received as the Messiah and that Israel was to be restored to glory. The righteous, whether quick or dead, were to receive eternal life with plenty of peace and prayer. Naturally, the priests of that time were satisfied with the status quo. We find Jesus was at first expected to return to earth immediately, but, unaccountably, he failed to do so, and his followers became Those Who Wait. Years passed; and Saul, who had been one of the most severe persecutors of the Brethren, saw the light and, changing his name to Paul, became an enthusiastic worker for Christ. It was Paul who "sold" Christianity to the tribes of that time much as itinerant preachers today are attempting to sell it—though now it is a better paying proposition. We find that Paul's followers took over many elements from Paganism, the former religion of the converts. Thus, in the cult of Mithra, a Persian deity, flesh and blood of the god was served to the celebrants in the symbolic form of bread and water, with accompanying ringing of bells, swinging of censers, and burning of lights. The cults of Osiris, Serapis, Cybele, Dionysis, and countless other deities all furnished some element to the new religion. Of course it prospered, its chief officers became rich and lax, and a reaction set in. We next find the Christians beginning to dedicate themselves to celibacy and austerity. Hermits thrived in every cave, Macarius slept for six months in a marsh and carried eighty pounds of iron during the day as penance. The Stylites lived continually on the tops of tall pillars. Next, different orders of lay clergy sprang up devoted to poverty or silence, or whatnot. As each order became rich, it became corrupt and left the early teachings of the church. The Crusades, seven in

"Tips" on Books

Book Review Section of The Magazine of Wall Street

number, were instituted by Urban II chiefly for his own aggrandizement. Popes came and went, good, bad, indifferent, and corrupt. We find Erigena, in the Ninth Century, saying that, "Authority proceeds from true reason, but true reason by no means proceeds from authority," a singularly advanced point of view for that time.

Mr. Browne continues his account in a masterly fashion, supporting facts with a liberal number of references. Naturally, time whitewashes the old sins and the old errors, and we believe what we wish to believe. James Branch Cabell in *The Silver Stallion* describes the founding of a religion, whose motto is "Mundus Vult Decipi," while Mr. Browne uses as his key sentence the following, "It is only when men have ceased to dispute whether Christianity was a revelation, that they have eyes to see what services it has rendered as a system."

If you would know the origin of your beliefs, you will find *Since Calvary* a most fascinating book.

—W. F. D.

Report of the Economic Committee of
the League of Nations on the

AGRICULTURAL CRISIS

World Peace Foundation, Boston, Mass.

THE agricultural crisis preceded the business crisis by many years and is a factor that made the latter inevitable, although other causes have made it more severe. As long ago as 1927, the International Economic Conference at Rome prophetically said it would be vain to hope that one class

could enjoy lasting prosperity independently of others.

The Report of the Economic Committee on the Agricultural Crisis presents a review of the world situation of agriculture at the beginning of the present year, together with summaries of the agricultural situation in 38 countries. The latter were written by the experts of those nations, who assisted the committee in its deliberations.

In general the committee finds that the present crisis is a combination of overproduction and underconsumption which will endure for a long time, "for it consists of a universal disturbance of the balance between production and consumption." This situation is attributed to the technical progress of agriculture and the disorganization caused by the war. At the present time the agricultural crisis "is aggravated by the general disorganization which it has itself caused."

While admitting that opinions differ as to the possibility of taking international action to relieve the position of agriculture, the committee recommends the organization in all countries of agricultural selling co-operatives, agreements between exporting and importing countries as to prices, the reduction of customs duties on agricultural products as soon as the world market improves, and a serious consideration of the problems raised by export bounties.

Bounties, the committee says, "entirely deprive customs duties of their value and cause serious harm both to importing and to exporting countries." This judgment is commended to the serious consideration of American farm organizations and Congressmen who favor the adoption of an export subsidy system by the United States.

A further study of the discrepancy between prices paid to the producer and those paid by the consumer is recommended. The question of agricultural credit is considered of great importance, the conclusion being reached that an important cause of overproduction is the farmer's lack of capital to modify his production. The committee therefore notes with approval the organization of the International Agricultural Mortgage Credit Company, under the auspices of the League of Nations.

The report contains a vast amount of agricultural statistics and other information. No student of the agricultural problem can afford to be without it, if for no other use than as a reference book.—T. M. K.

For Features to Appear
in the Next Issue

See Page 113

Keep his head up and we'll all come through!



You recognize this man. He lives in your own town, not far from you . . .

Though faced with unemployment, he is combating adversity with courage. He has retreated step by step, but fighting. He has spread his slender resources as far as they will go.

This winter he and his family will need your help.

There are many other heads of families much like him in the United States. This winter all of them will need the help of their more fortunate neighbors.

This is an emergency. It is temporary. But it exists. It must be met with the hopefulness and resource typical of American conduct in emergencies.

Be ready! Right now in every city, town and village, funds are being gathered for local needs—through the established welfare and relief agencies, the Community Chest, or special Emergency Unemployment Committees . . .

The usual few dollars which we regularly give will this year not be enough. Those of us whose earnings have not been cut off can and must double, triple, quadruple our contributions.

By doing so we shall be doing the best possible service to ourselves. All that America needs right now is courage. We have the resources. We have the manpower. We have the opportunity for world leadership.

Let's set an example to all the world. Let's lay the foundation for better days that are sure to come.

*The President's Organization on
Unemployment Relief*

Walter S. Gifford

DIRECTOR

Committee on Mobilization of Relief Resources

Owen D. Young

CHAIRMAN

The President's Organization on Unemployment Relief is non-political and non-sectarian. Its purpose is to aid local welfare and relief agencies everywhere to provide for local needs. All facilities for the nation-wide program, including this advertisement, have been furnished to the Committee without cost.

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MANY low-priced common stocks now offer tremendous profit possibilities, considering the amount of capital or collateral required, but *they must be selected with the utmost care.*

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Our Unusual Opportunities Consist of Low-Priced Common Stocks That Must Pass a Rigorous Test

Our Unusual Opportunity Advices comprise active common stocks practically all of which sell under \$25 a share. Before it is recommended, however, each stock must be approved by our specialists as sound and holding distinct possibilities of higher prices.

These stocks are rated from every standpoint likely to determine their merit and value. Management, sponsorship, earnings, capital structure, nearby and moderate term outlook, industrial position and background, are all taken into consideration. They may be dividend-payers or not but they are issues of the type that can be uncovered only by skilled analysts such as constitute the staff of the FORECAST.

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Three standard common stocks listed on the New York Stock Exchange—all selling under 15—have just been selected by our experts as Unusual Opportunities. They offer exceptional profit possibilities with a minimum of capital and will be recommended immediately on receipt of your subscription. These commitments will then be under our daily observation until definitely closed out.

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(c)
Trading Advices following the intermediate rallies and declines (for the purpose of securing profits that may be applied to the purchase of investment and income producing securities).

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